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### Diversity and Inclusion in Art Museum Board of Governance: Does The Boardroom Reflect the Community?

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Diversity and Inclusion in Art Museum Board of Governance:  
Does The Boardroom Reflect the Community?

by

Margaret R. Farrell

A thesis submitted in conformity  
with the requirements for the  
Master's Degree in Art Business  
Sotheby's Institute of Art

2018

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# Diversity and Inclusion in Art Museum Board of Governance: Does The Boardroom Reflect the Community?

By Margaret R. Farrell

The objective of this thesis is to examine the diversity and inclusivity of the art museum board of governance to see if the community accurately represents in the boardroom. This study finds a severe resistance to change along with the many obstacles corporate and nonprofit sectors face when incorporating diversity and inclusion in the boardroom. Based on population shifts affecting the cultural landscape of the workforce, this thesis focuses on the crucial need for art museums to strategize and implement diversity and inclusion in their board of directors. This study outlines comprehensive strategies from corporate and nonprofit sectors which are performed to make effective decisions to serve the communities of the institutions best. By assessing art museums rooted in historically diverse communities, such as Queens, Brooklyn, and the Bronx, this thesis looks into whether or not the museum board accurately reflects the community they serve. Until then, museums run the risk of under-performance when strategies are not in place. Art museums need to make sure their community represents the boardroom, so more creative and intelligent decisions are made to contribute the art market and the population better.

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## Introduction

Museums and nonprofit institutions play an essential role in the makeup of the world's social, political and financial landscape. Museums control more than \$1.5 trillion in assets and are increasingly called upon to prompt social change.<sup>1</sup> They contribute \$50 billion to the U.S. each year and support more than 726,000 American jobs.<sup>2</sup>

Art museums have longed for the answers to incorporating diversity and inclusion within their visitors, staff, and board of directors. Many museums across the country are grappling with the changing landscape which affects their funding, attendance, financial performance, and reputation and relationships within the global art market. Being at the forefront of change can only benefit art museums as new and fast-growing generations are setting the standards for inclusivity and creativity within an unregulated and evolving art market.

Perhaps the least-known problem of many museums and their directors are the issues that lie within the boardroom, and the people who are responsible for hiring and firing the director - museum directors and trustees.<sup>3</sup> Board directors of for-profit corporations and nonprofit entities have fiduciary duties to oversee all facets of the organization's operations.<sup>4</sup>

The governing body of an art museum contains a series of diversity and inclusion disparity. The visual arts community is a permanent and rooted organization, which is a reason as to why change is slow moving. If museums do not preserve the culture of their

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<sup>1</sup> Tydings, Archer, Ferreira, Hechinger, Nash, Hayes, Von Heymann, and Dessaint. "Who Sits at the Boardroom Table? A Look inside Nonprofit Boards." Russell Reynolds, January 24, 2018. 3

<sup>2</sup> American Alliance of Museums, The Andrew. W. Mellon Foundation, and Oxford Economics. *Museums as Economic Engines A National Report*. Report. Oxford Economics. 1-33.

<sup>3</sup> Esterow, Milton. "Are Museum Trustees Out of Step? -." ARTnews. October 10, 2008.

<sup>4</sup> Price, Nick. "What Constitutes Board Director Misconduct?" BoardEffect. July 17, 2017.

community, they are implying that their history of art does not matter. How can art museums develop comprehensive strategies and make effective decisions to engage their constituents best if the top decision makers do not represent those they serve?<sup>5</sup>

"Now, I think the job [of museums] is one of reinvention - of questioning the orthodoxies of the past and creating sustainable, relevant, exciting paths forward." quotes Brooklyn Museum director Anne Pasternak.<sup>6</sup>

"The tradition of public benefaction through private giving is very strong... and accounts for the existence of private universities, foundations, and museums on a scale unimaginable in other nations."<sup>7</sup>

Art museums face severe adversity compared to other sectors of nonprofit institutions, such as performing arts, cultural, science and historical museums. Democratically run museums obtain very influential wealthy and notable donors who dictate significant decisions within the museum, making for a complex set of boundaries. Norman Rockefeller is quoted saying "I learned my politics at the Museum of Modern Art."<sup>8</sup>

Since art museums were first founded in the United States, a museum's success was determined by the collection size, masterpieces acquired, and the building's physical appearance through the exterior and architecture. Today, a museum's success can be measured by much more, taking into account the social, political, and the wants and needs of a population.

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<sup>5</sup> Avila, Negash, Gavin, Ferber, Jayasinghe, and Stapel. What Lies Beneath: Report. New York, NY: Nonprofit Coordinating Committee of New York, 2018.

<sup>6</sup> Goldstein, Andrew. "Brooklyn Museum Director Anne Pasternak on How an Encyclopedic Institution Can Address Entrenched Racism and Sexism." Artnet News. December 04, 2018.

<sup>7</sup> Quote from John Henry Merryman, Professor of Law Emeritus at Stanford University. Esterow, Milton. "Are Museum Trustees Out of Step? -." ARTnews. October 10, 2008.

<sup>8</sup> Ibid.



Museums are also unique in that they are unique rooted in the community in which they serve and are very unlikely to uproot. Museums must figure out how to appeal to a new generation in a climate of persistent financial pressure, along with the ambition to grow and expand its audience.<sup>9</sup> *New York Times* reporter Robin Pogrebin, she discusses how it is always going to be a struggle to remain relevant and essential while keeping up with the shifting culture surrounding museums.<sup>10</sup>

Institutions and companies in this modern society need to be able to stay at the forefront of cultural issues to successfully perform. Issues involving gender, race and age disparities have taken high profile attention due to reports in the press. A severe lack of initiative is shown across many sectors of business in the boardroom to make a change. Over the last several years, diversity and inclusion have remained a staple topic of discussion among institutions and boardrooms.

The objective of this thesis is to examine the diversity and inclusivity of the art museum board of governance to see if the community accurately represents in the boardroom. This thesis will address the diversity and inclusion disparity of boardrooms across corporate and visual arts sector. It will then look into the makeup of art museums and discuss underlying issues in governance and funding that pertain to the slow adaptation to inclusivity. Then, it will present the literature review addressing data, theories, findings, and recommendations within the corporate and nonprofit sector.

Next, this thesis will present case studies which assess three art museums rooted in boroughs of New York City. Queens, Brooklyn and the Bronx have primarily fueled

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<sup>9</sup> Pogrebin, Robin. "Sketching a Future for Brooklyn Museum." *The New York Times*. August 05, 2010. Accessed December 02, 2018.

<sup>10</sup> Pogrebin, Robin. "Graduate Thesis Interview." Interview by Margaret Farrell. September 4, 2018.

the unprecedented economic expansion during the past three years in New York, and have all contributed in providing world-class arts institutions.<sup>11</sup> By taking a look into their art museums, you can evaluate the population and community surrounding these institutions to see if their board is equivalent.

Finally, this thesis will conclude with overall recommendations for implementing diversity, along with current trajectories and outlooks toward diversity and inclusion.

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<sup>11</sup> David, Greg. "How Brooklyn, Queens and the Bronx Have Powered the Boom." Crain's New York Business. August 06, 2018.

## Chapter 1: Diversity and Inclusion Disparity

Conversations surrounding the board of governance diversity and inclusion are typically discussed in the context of gender disparity. There has been a growing body of research specifically addressing gender disparity and women representation board of directors. Racial and gender disparity are showcased in a slow progression to change in today's leading businesses and corporations.

Today, women make up 47% of the workforce, claiming ownership of about \$100 million businesses in the United States.<sup>12</sup> The amount of women sitting around the boardroom of *S&P 500* companies is about 22%, while the number of females around museum boardrooms is about 45%, according to the *AAM Museum Board Leadership National Report*.<sup>13</sup> Although the percentages slowly rise from year to year, the disparity is still present as very few companies and institutions have achieved true gender equality.

The conversation of gender disparity in this country is critical in creating sustainable companies and institutions to better contribute to the economy. Research suggests that companies that explicitly place value on gender diversity outperform their peers on the multiple dimensions of corporate sustainability.<sup>14</sup>

While the disparity of gender equality is improving from year to year, a key finding in the *2017 National Index of Nonprofit Board Practices*, states otherwise. This study discovered that boards are no more diverse than they were two years ago, and current recruitment priorities indicate that it is unlikely to change.<sup>15</sup> In 2015, Leading with Intent

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<sup>12</sup> Price, Nick. "The Importance of Women Joining Nonprofit Boards." BoardEffect. November 30, 2018.

<sup>13</sup> BoardSource, Museum Board Leadership 2017: A National Report (Washington, D.C.: Board Source, 2017). 8

<sup>14</sup> McElhaney, Kellie A., and Sanaz Mobasser. "Women Create A Sustainable Future." Center for Responsible Business, October 2012, 1-8. Accessed December 2, 2018.

<sup>15</sup> BoardSource, Leading with Intent: 2017 National Index of Nonprofit Board Practices (Washington, D.C., 2017). 9

reported that 80% of board members were Caucasian, while 25% of boards were 100% white. In 2017's study, 84% of board members report as Caucasian, and 27% of boards identify as all white.<sup>16</sup>

The U.S. minority population is expected to increase by another 50% by 2050. Minorities will comprise half of the entire population; therefore a corresponding increase in cultural awareness and competence is imperative in the workforce.<sup>17</sup>

Caucasian males will make up only 15% of the increase in the workforce over the next ten years.<sup>18</sup> According to the 2017 AAM report, Caucasian males make up about 72% of museum boards.<sup>19</sup>

As stated in the book *Museums, Equality and Social Justice*, it states:

"Museums need to be aware of the changing demographics, hybrid notions of identity and belonging, to understand whether a specific ethnic museum, exhibition or programme is appropriate. Race and ethnicity do not exclude white. Museums seem to have paid less attention to socio-economic status and some serious debate, rethinking and leadership need to occur concerning this issue, taking into account that fewer people do not consider themselves 'working class.' The fact remains, however, that our national percentage of the wealthy and the more educated and that both countries are amongst unequal societies in the world."<sup>20</sup>

If there is a failure in prioritizing the changing demographics in recruitment practices, nonprofit institutions will have tremendous difficulties in reflecting the communities they serve. "While board composition is not one-size-fits-all, a board that is homogeneous in any way risks having blind spots that negatively impact its ability to make the best decisions and plans for the organization."<sup>21</sup> Art museums have the

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<sup>16</sup> Ibid. 12

<sup>17</sup> Wenyika, Sibonginkosi. "A Multi-Case Exploration of Non-Profit Board Member Diversity..." 2012. 1

<sup>18</sup> Thomas, Roosevelt "From Affirmative Action to Affirming Diversity." 1990.

<sup>19</sup> BoardSource, Museum Board Leadership 2017: A National Report.

<sup>20</sup> *Museums, Equality, and Social Justice*, edited by Sandell, Richard, Eithne Nightingale Routledge, 2012.

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<sup>21</sup> BoardSource, Leading with Intent: 12.

opportunity to be at the forefront of bridging the gap of diversity and inclusion.

Therefore, they must stay innovative when considering the meaning behind words such as equity, diversity, and inclusion.

### **1.1. Corporate Sector**

Board diversity has assumed great significance in the corporate sector in the wake of unprecedented government failures.<sup>22</sup> At the head of CEO's and Board Presidents' agendas, this changing dynamic comes from a massive wave of growing public scrutiny over board composition.

The issues of effective corporate governance have become a matter of high public profile nationally due to international failures, rules, and regulations. Even with significant corporate failures such as *Enron* and *World.com*, our knowledge of the internal working process within the boardroom is still relatively limited.<sup>23</sup>

The diversity quota imposed by other countries such as Norway and Israel, spawn a rich conversation documented in the American public press. This has stimulated U.S. regulating bodies such as the Securities Exchange Commission (SEC) to further examine the issue.

In a time where gender and minority disparity is no longer acceptable, companies are expected to either participate or endure the negative side-effects of failing to comply. The slow adaptation to change has brought governmental and public pressure upon many public companies. The pressure is now correlated to nonprofit funding, as foundations are looking to nonprofit institutions to meet these diverse needs.

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<sup>22</sup> Adusei, Akomea, Poku. "Board and Management...Financial Performance of Microfinance Institutions." 2016.

<sup>23</sup> Parker, Lee. (2007). Internal Governance in the Nonprofit Boardroom: a participant observer study. *Corporate Governance: An International Review*. 923.

Executive Director of the American Institute for Managing Diversity, R. Roosevelt Thomas Jr. explains in his 1990 study that companies need to manage diversity in such a way as to get from a diverse workforce the same productivity we once got from a homogeneous workforce and to do it without artificial programs, standards – or barriers.<sup>24</sup>

"Managing diversity does not mean controlling or containing diversity. It means enabling every member of your workforce to perform to his or her potential."<sup>25</sup> By supporting interactions of diverse members, companies and institutions can achieve organizational effectiveness through managing diversity.

## **1.2 Nonprofit Art Museums**

Art museums contain tremendous value and uphold a responsibility to serve and educate their community. According to the Institute of Museum and Library Services, the official definition of a museum is an organized and permanent nonprofit institution, essentially educational or aesthetic in purpose, with professional staff, which owns and utilizes tangible objects, cares for them, and exhibits them to the public on some regular schedule.<sup>26</sup>

Art museums can define a moment in time that no other artifact can. Today, 89% of the public believe that museums contribute essential economic benefits to their community, as stated in the public opinion polling from the American Alliance of Museum's (AAM) study, *Museums & Public Opinion*.<sup>27</sup>

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<sup>24</sup> Thomas "From Affirmative Action to Affirming Diversity." 1990.

<sup>25</sup> Ibid.

<sup>26</sup> "Art Museums and the Public." Smithsonian Institution Office of Policy & Analysis, October 2001, 1-17. Accessed December 2, 2018.

<sup>27</sup> Wilkening, Susie, Ben Kershaw, and Robert Stein, eds. *Museums & Public Opinions*. Report. January 2018. Accessed December 2, 2018.

Art museums play a vital role in the community's education while bringing a sense of purpose for understanding the meaning of life. Through impactful programming, education, and exhibitions, art museums have the power to shape an individual's knowledge and understanding of the world and community where they coexist. Museums take pride in maintaining the public's trust by caring for essential collections, documenting the human story, and bearing witness to history.<sup>28</sup>

Through an interview with Liam Sweeney, analyst and co-author of the *Diversity in Museums* Ithaca S+R case studies, he states that "Museums think about being a good host, but they need to be a good guest, and learn how to visit the communities they are trying to reach but in a respectful and conscious way. Creating more trust."

Arts organizations have emerged at the center of a more expansive vision of the arts, which provide a canvas for the works of emerging artists and bustling experimental innovations. "The work of these organizations move people to understand that art can be about more than engaging in the aesthetic experience," as stated in Ron Chew's study *Community-Based Arts Organizations*.<sup>29</sup> Chew discusses how art can comfort in times of trouble, heal personal wounds, inspire community participation, and foster a more compassionate society.

Art museums allow visitors to become familiar with the trademark of a particular culture, moment in history, and the current state of the world. Due to museums impactful

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<sup>28</sup> *Diversity, Equity, Accessibility, and Inclusion*. Report. American Alliance of Museums. 1-2.

<sup>29</sup> Chew, Ron. *Community-Based Arts Organizations: A New Center of Gravity*. Report. Washington, DC: Americans for the Arts, 2009. 1-28.

role, they need to be aware of changing demographics, identity and belonging continually.<sup>30</sup>

Through a democratic model, the art museum's direction then becomes made by a select group that makes crucial decisions in determining how a community is educated. However, if that chosen group is homogeneous and does not reflect the community it serves, museums then cannot properly train and adapt to change as an institution.

### **1.2.1 Board of Directors**

"Diversifying the museum's board is seen by many museum directors as one of the most challenging tasks they face."<sup>31</sup> Boards are set in place by institutions to steer the organization in a sustainable direction by providing legal and financial governance. By making sure the organization has the proper resources to advance their mission, the board of directors has also traditionally been the primary source of capital for the institution.

"The boards of directors of nonprofit organizations are a powerful resource to negotiate a turbulent environment, to develop long-range plans, and to improve performance."<sup>32</sup> Nonprofit board of directors remains a volunteer position where there is no compensation for serving as a governing member. For-profit companies engage in commerce to earn a financial return for their shareholders. Nonprofit organizations operate to achieve their missions without the motivation of financial gain.<sup>33</sup>

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<sup>30</sup> *Museums, Equality, and Social Justice*, edited by Sandell, Richard, Eithne Nightingale Routledge, 2012. 35

<sup>31</sup> Sweeney, Liam, and Roger Schonfeld. "Interrogating Institutional Practices in Equity, Diversity, and Inclusion: Lessons and Recommendations from Case Studies in Eight Art Museums." *Ithaka S+R*. 8

<sup>32</sup> Brown, William. (2002). Racial Diversity and Performance of Nonprofit Boards of Directors. *Journal of Applied Management and Entrepreneurship*. 7.

<sup>33</sup> ASAE Staff. "Should Board Members of Nonprofit Organizations Be Compensated?" ASAE. December 21, 2015.



Art museum governance, are coveted positions that hire and fire the executive director and advise the museum's financials. However, these positions also have a high influence on staff, exhibitions, acquisitions, and funding that go along with running an art museum.

Leading with Intent published a *National Index of Nonprofit Board Practices*, which pointed out the three most important areas the board should address to improve its performance. These three areas include fundraising, outreach and ambassadorship, and board leadership pipeline.

The study published by BoardSource emphasizes the importance of the board chair's role. Data shows a clear link between the ability of the board to work as a collaborative team and the abilities of a board chair.<sup>34</sup> These include resolving conflict, fostering an environment that builds trust among board members, establishing clear expectations of board service and encouraging board members to frame and discuss strategic questions. When board chairs are active facilitators of board culture, the board is more likely to operate as a collaborative team working toward a common goal.<sup>35</sup>

Museum achieves a special status in society due to owing loyalty to its members, funders, employees, the public, and grant-makers and beneficiaries. Current laws in place make this volunteer position possible, such as the Volunteer Protection Act of 1997 and the strict guidelines within Form 990s that are in place when reporting financials. Since boards would not want to risk losing the protective status offering in the Volunteer Protection Act, this is viewed as a positive to board members and museum.<sup>36</sup>

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<sup>34</sup> BoardSource, Leading with Intent: 22

<sup>35</sup> Ibid

<sup>36</sup> ASAE Staff. "Should Board Members of Nonprofit Organizations Be Compensated?" ASAE. December 21, 2015.

As a mission statement is a requirement in registering as a 501c3, museums have instilled guidelines to follow which can be an advantage when making crucial decisions and procedures. As museums attempt to promote change and become an inclusive organization, the mission statement is already in place to hopefully highlight discriminatory social and institutional practices. However, the leaders need to embrace these values associated with their organization and its mission.

Since museums do not have shareholders, nonprofits operate to serve a mission and centers around philanthropy. Board members are willing to give their time to a cause and provide fiduciary duties in furthering the museum's mission statement. In return, board members receive philanthropic associations while becoming an integral part of a community.

The networks in which these boards form come from historically wealthy connections which the institution then becomes reliant. "Wealth is unevenly distributed, to begin with, but the reliance on social networks creates yet further barriers to entry for people who would bring diversity to museum boards."<sup>37</sup> Throughout this thesis research, diversity strategies have been in conversation regarding staff and visitor outreach but rarely discusses when considering a museum's governing body.

The power that a board of directors holds has a significant influence on not only the institution but the community it serves. "What I learned from being involved on boards is that most of the decisions that get made either by grant-makers or do-gooders are that it is a board decision" states chairman and co-founder of the African American Board Leadership Institute Virgil Roberts.

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<sup>37</sup> ASAE Staff. "Should Board Members of Nonprofit..." ASAE. December 21, 2015.

Leadership is vital in running a museum, especially the same ownership through which everyone can contribute to a vision that can translate into practical realities.<sup>38</sup>

Stated in *Museums, Equality and Social Justice*, museums seem to have paid less attention to socio-economic status, which is in need of serious debate, rethinking and leadership changes.

Art museums have the opportunity to insert transformation and shape a community with the help of a representative and relatable board of governance. The more people around the table who reflect the community's diversity, in which the museum declares they serve, will result in more relevant and responsible decisions.

### **1.2.2 Funding**

Within the art museum sector, public and private funding is a significant aspect of the finances behind many, if not all, cultural institutions. In the fast-moving and multimillion-dollar art market, museums have the task of staying relevant with global blue chip galleries and high-end auction sales when acquiring works of art.

With tight budgets and struggles to maintain a consistent flow of funding, museums have to face the difficulty of acquiring high-end works for their permanent collections. Today, this remains one factor of how art museums face adversity compared to other nonprofit institutions when instilling inclusion and diversity into their foundation.

In the Association of Art Museum Directors (AAMD) annual report, this data analysis provides insight to better understand museum performance in the context of nonprofit financial operations and funding. 39% of museums obtain an operating budget

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<sup>38</sup> *Museums, Equality, and Social Justice*, edited by Sandell, Richard, Eithne Nightingale Routledge, 2012.  
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of less than \$5 million.<sup>39</sup> Museums with an operating budget of this size have an average of 62,000 annual visitors.<sup>40</sup>

Museums who operate with budget sizes of \$10 – 20 million and \$5 – 10 million are both 21%. However, the museums who see the largest attendance, 1.29 million visitors each year obtain an operating budget of greater than \$45 million. 8% of museums have an operating budget of that size.<sup>41</sup>

"For the third year in a row, more than two-thirds of art museums' annual expenses were focused on arts-related activities." These results mean the majority of the museum's resources are used to collections management and presentation of exhibitions and educational programs.<sup>42</sup> There also lie costs in maintaining infrastructure and security, which can be very expensive as museums are rooted in location and often do not have the flexibility of allocating or downsizing.

It is interesting to see the breakdown overtime of operating expenses for art museums as they have remained mostly unchanged when comparing the pre-recessionary and post-recessionary periods.<sup>43</sup> Art focused expenses remained the most significant percentage over time, with revenue-generating activities the second highest operating expense. These expenses include memberships, marketing and PR, restaurants, benefit events, store, and development.

As museums hold the responsibility to adapt to changing shifts in the workforce, it is interesting to notice the constant cost breakdown over a decade. Placing importance

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<sup>39</sup> *Art Museums By The Numbers 2018*. Report. Association of Art Museum Directors. 1-13.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

on collection management and exhibitions is the main concentration of museums, but attention and time are spread thin within a tight budget. Consulting and outside sources are not a top priority for managing diversity and inclusion efforts due to many operating costs.

In the PwC's *2018 Annual Corporate Directors Survey*, it states that shareholder influence continues to grow, as institutional investors now own 70% of US public companies.<sup>44</sup> More diverse boards can assist with the pressure and expectations director's experience when obtaining funds for organizations. The need for diversity is more crucial than ever before due to network ties and more global networks taking place within companies and the boardroom.

By looking into the changing landscape for art museums, this raises questions as to the strategies and funding opportunities for these publicly and privately funded institutions. Foundations and grant-makers' thresholds are becoming much smaller as they demand a changing platform to include diversity and inclusivity within these educational platforms.

Board of directors is now experiencing public and external pressure from shareholders, investors, funders, and foundations to show a commitment to board refreshment. The result of what is happening outside of the boardroom is affecting a changing agenda in regards to nonprofit funding. Foundations are now demanding art museums, among other institutions, to present and provide strategies and statistics in the way of diversity.

### **1.3 Exploration of Key Terms**

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<sup>44</sup> The Evolving Boardroom: Signs of Change PwC's 2018 Annual Corporate Directors Survey. Report. October 2018. Accessed December 2, 2018. 1

The following key terms are explored in this chapter to gain a better understanding of how these terms are defined in this thesis. Words like diversity, inclusion, and community can take on new meanings when discussed in different sectors. Therefore, it is imperative to look at the definition and research surrounding these key terms in order to understand this thesis accurately.

*Diversity.* When discussing diversity within the modern day workforce, researchers have discovered that organizational strategies are crucial in sustaining a diverse workforce to not only stay relevant but perform at their highest ability. Without clearly defining what diversity means to a board, institutions are falling behind as critical decisions are not decided appropriately.

Wankoff states that diversity is about individuals and their backgrounds and perspective. When thinking about diversity, Wankoff suggests we are thinking about the numbers of representation.<sup>45</sup>

Diversity, equity, and inclusion (DEI) are defined in the 2018 survey *What Lies Beneath* as directly being tied to good governance and healthy business practices and generates a management culture that embraces different perspective, resulting in stronger programs and comprehensive strategies that are better able to mitigate risk.

As described in *Museums, Equality and Social Justice*, diversity encompasses visible and non-visible differences and can include culture, socio-economic status, and values.<sup>46</sup> Within the workforce, diversity is applied to harness the benefits of a diverse staff to embody measures intended to celebrate, promote, respect and enhance an understanding of differences.

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<sup>45</sup> Berkman, "Diversity & Inclusion Initiatives That Work." FEI. November 13, 2018.

<sup>46</sup> *Museums, Equality, and Social Justice*, edited by Sandell, Richard, Eithne Nightingale Routledge, 2012.

Through Dr. Sibonginkosi Wenyika's well-crafted dissertation on nonprofit board member diversity, she describes diversity as the acceptance and support of interactions of "socially defined differences" of race and gender among individuals to achieve organizational effectiveness.<sup>47</sup> Using research to help curate this definition of diversity, Wenyika emphasizes the importance that gender and race can have on an organization when properly and effectively folded into the fabric of nonprofit institutions.

When describing how diversity incorporates into governing boards, Ben-Amar, Francoeur, Hafsi, and Labelle (2013) define board diversity as the extent to which the culture, nationality measure its demographic diversity, gender, and experience of its directors to complement its statutory diversity.<sup>48</sup>

Taking a look into the board of director diversity and firm financial performance, Erhardt, Werbel, and Shrader (2003) define board demographic diversity as compositions of board members concerning different variables such as gender, age, nationality, ethnicity, educational background, and experience. This definition is key to understanding the amount of range a board of directors can have when using this definition of diversity. By looking outside of similar social groups of heterogeneous board members, you can access a wide range of candidates with diverse backgrounds, ages, financial status, occupations, gender, and race.

Erhardt et al. (2003) discuss diversity as the representation of both ethnic and gender differences on a board of directors. Within the precise definition, there come two examples of variety; observable and non-observable. Gender, age, race, and ethnicity

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<sup>47</sup> Wenyikai. "A Multi-Case Exploration of Non-Profit Board Member Diversity 2012. 17

<sup>48</sup> Ben-Amar, Francoeur, Hafsi, Labelle. "What Makes Better Boards?" 2013.

categorizes as observable types of diversity, where knowledge, education, affection, personality, and values are examples of non-observable.<sup>49</sup>

In this thesis, diversity is defined as the encompassment of status and values instilled within different observable and non-observable categories of human society to promote, accept, and respect individuals to achieve organizational success.

*Inclusion.* Inclusion is defined in the literature review organized by Shore et al., (2011), as diverse individuals having the potential to be positive when they feel a sense of belonging and feel valued for the characteristics on which they are unique.<sup>50</sup> Through Shore, their focus is on the educational theories surrounding diversity and inclusion where empirical studies are researched.

Barbara Wankoff, the Executive Director of Diversity and Inclusion at KPMG, states that inclusion is about the environment and all of us together creating that environment to make somebody feel welcomed and valued and that they belong.<sup>51</sup>

Bernardo Ferdman, the author of *Diversity at Work: The Practice of Inclusion*, states that an inclusive organization is one where diversity of knowledge and perspectives that members of different groups bring has shaped its strategy, its work, its management, and operating systems, and its core values and norms for success. In the boardroom is where members of all groups are treated fairly, feel and are included, have equal opportunities, and are represented at all organizations.<sup>52</sup>

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<sup>49</sup> Erhardt, Werbel, Shrader. "Board of Director Diversity and Firm Financial Performance." 2003.

<sup>50</sup> Shore, Randel, Chung, Dean, Ehrhart, Singh. "Inclusion and Diversity..." 2011.

<sup>51</sup> Berkman, Olivia. "Diversity & Inclusion Initiatives That Work." FEI. November 13, 2018.

<sup>52</sup> Ferdman, Deane. *Diversity at Work: The Practice of Inclusion*. Jossey-Bass, 2014.



Defined in the study, *What Lies Beneath*, inclusion refers to the degree to which diverse individuals can participate fully in the decision-making processes within an organization or group.<sup>53</sup>

In this thesis, this thesis will be using the definitions from Shore and Ferdman to understand how inclusion is an essential aspect of determining successful organization performance in a functioning art museum board of governance. Integration is carried out when members from different groups are valued, represented, and given equal opportunity for the unique and distinctive views and perspectives they bring to the duties of a board of governance.

*Community.* The Merriam-Webster Dictionary definition of community is a unified body of individuals such as the people with common interests living in a particular area.

A community-based organization, which constitutes the three museums presented in this thesis, is legally defined as “a public or private nonprofit organization of demonstrated effectiveness that a) is representative of a community or significant segments of a community; b) provides educational or related services to individuals in the community.”

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<sup>53</sup> Avila, Negash, Gavin, Ferber, Jayasinghe, and Stapel. *What Lies Beneath*. Report. New York, NY: Nonprofit Coordinating Committee of New York, 2018. 4

## **Chapter 2: Literature Review**

This chapter includes a thorough review of literature that investigates, argues, and presents studies performed concerning diversity and inclusion in the boardroom.

Addressing various sectors of for-profit and nonprofit business, this thesis will discuss how board diversity equates to performance and financial health when effectively sought after.

This literature review highlights similarities between the corporate and nonprofit sectors when implementing diverse and inclusive strategic planning. Arguments such as women and minorities experience work disadvantages compared to their white male counterparts (Davidson, 2002), and how substantial costs are associated with poor inclusion integration, (Cox and Blake, 1991) are discussed in this chapter.

Additionally, studies and surveys are presented to examine the current state of nonprofit board of directors in the state of New York, and across the U.S. This thesis will address the linkage between corporate and nonprofit diversity and the common issues and themes that arise. This chapter is intended to address the current issues, and studies performed to highlight the gap and miscommunication in incorporating diversity into the boardroom.

### **2.1 Corporate Literature**

Over the past decade, diversity and inclusion have been topics that have intrigued many corporate boards of directors. Researchers have explored numerous characteristics linking diversity with value, along with the breakdown of board composition. It has been investigated to see if there is a connection between diversity and financial performance while evidence leads to the present inequality within the boardroom and the gains a

company can achieve when being inclusive. Finally, through the in-depth and precise research performed, there is evidence to support this hypothesis.

In 2003, Carter, Simkins, and Simpson study examined the relationship between corporate governance, board diversity, and firm value for *Fortune 1000* firms. Through board of director characteristics and accounting data for the firms taken from a financial, statistical and market information database, a study was performed measuring firm value linked to corporate diversity. This study supports this thesis in being able to provide real data attributing to connecting significant positive relationships between board diversity and firm value.

By concluding that a positive relationship between the presence of women and minorities on a board of directors directly relates to firm value, measured by the ratio between a physical asset's market value and its replacement value (Tobin's Q), this represents for the first time empirical evidence that directly links diversity to success. Carter, Simkins, and Simpson used previous studies, Cox and Blake (1991) and Robinson and Dechant (1997), to support their case for the positive relationship between board diversity and firm value.

Four arguments linking diversity with financial success include; firstly, corporate diversity promotes a better understanding of the marketplace in which differences can increase creativity and innovation; secondly, diversity produces more effective problem-solving; thirdly, diversity enhances the effectiveness of organizational leadership, and lastly, diversity promotes more effective global relationships.

Additionally, Cox and Blake (1991) argue that substantial costs exist for firms that do a poor job of integrating their diverse workforce due to turnover, and absenteeism.

“The costs are related to turnover and absenteeism of women and minorities that are dissatisfied with their careers and prospects for advancement.”<sup>54</sup> Cox and Blake argue that firms that deal with diversity-related issues should have cost advantages compared to firms that do not.

This study then quotes Keys, Turner, and Friday (2002) which found that diversity promoters add more value to shareholders than non-diversity promoters do. This study compared firms ranked by *Fortune* as being among the "diversity elite" with firms not rated as such.<sup>55</sup>

Carter, Simkins, and Simpson suggest that the fraction of women and minority directors increase with firm size but decreases as the number of insiders increases. These results indicate that firms are committing to improving the number of women on boards also have more minorities on their boards and vice versa. Matching the diversity of a company to the variety of the company's potential customers and suppliers increase the ability to penetrate markets.<sup>56</sup>

This study not only emphasizes the changing marketplace and the benefits of a diverse board, the percentage of women and minorities, but how it also leads to a better understanding of the changing marketplace. For the first time in U.S. history, four generations are working alongside one another in the workforce, and the demand for diversity is vital.<sup>57</sup>

Carter, Simkin, and Simpson discuss how an increase in creativity and innovation enhance a more diverse board. According to Robinson and Dechant (1997), attitudes,

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<sup>54</sup> Carter, Simkins and Simpson, Corporate Governance, Board Diversity, and Firm Value 2003. 37

<sup>55</sup> Ibid.

<sup>56</sup> Ibid. 36

<sup>57</sup> Nonprofit Management 101, Heyman, Rodriguez, 141

cognitive functioning, and beliefs are not randomly distributed in the population but tend to vary systematically with demographic variables such as age, race, and gender.

Boards that remain homogenous are limiting their creativity and are not implementing new or innovative problem-solving solutions. In the nonprofit cultural sector, staying innovative and creative is vital to any well-performing museum. With a more creative and innovative board, more effective solutions for problem-solving can be achieved.

"The result of diversity at the top is a better understanding of the complexities of the environment and more intelligent decisions"<sup>58</sup> These results also promote more effective global relationship and being a merchant within the global art market as this is an essential fact for the museum board of governors.

In the study by Erhardt, Werbel, and Shrader (2003), research was conducted regarding firm financial performance in correlation with the board of director diversity. This study showcased that a diverse board had a positive influence on company performance, in regards to return on investment and assets. While most research has examined diversity in the workforce, this research focuses on the findings that the board of director diversity may be important above and beyond the effects of workforce diversity.<sup>59</sup>

The results from this study suggest that diversity may associate with effectiveness in the oversight function of the board of directors. If a conflict emerges, the oversight function may be more active which allows for a broader range of opinions to be

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<sup>58</sup> Carter, Simkins and Simpson, W. Gary, Corporate Governance, Board Diversity, and Firm Value 2003.

<sup>59</sup> Erhardt, Werbel, Shrader. "Board of Director Diversity and Firm Financial Performance." 2003.

considered.<sup>60</sup> This is a central issue within corporate governance, where the CEO may influence the board of directors suggesting agency theory<sup>61</sup> (Schleifer & Vishny, 1997), that CEO's may need independent oversight.<sup>62</sup> "Diversity on the board of directors and the subsequent conflict that is considered to occur with diverse group dynamics commonly is likely to have a positive impact on the controlling function and could be one of the several tools used to minimize potential agency issues."<sup>63</sup>

This study also supports the notion that board resource diversity may enhance network ties (Beckman and Haunschild, 2002). The variety of network connections, which are strengthened through diversity, can aid the corporate sector in understanding their environment. As insiders offer strong internal network connections, these networks also provide advice and expertise as well as collaboration and cooperation with key stakeholders.

As correlation and regression analysis indicate board diversity is positively associated with indicators of firm performance, Erhardt, Werbel, and Shrader suggest board functioning is highly related to organizational performance, and the question becomes whether increased demographic diversity on boards affects overall company performance.

In summary, the impact of a diverse set of network ties should enhance ratings of corporate social responsibility, because these ties provide access to support, expertise, and counsel from external organizations.<sup>64</sup>

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<sup>60</sup> Erhardt, Werbel, Shrader. "Board of Director Diversity..." 2003. 18

<sup>61</sup> According to Investopedia, agency theory is a supposition that explains the relationship between principals and agents in the business. Agency theory is concerned with resolving problems that can exist in agency relationships due to unaligned goals or different aversion levels of risk.

<sup>62</sup> Erhardt, Werbel, Shrader. "Board of Director Diversity..." 2003. 18

<sup>63</sup> Ibid.

<sup>64</sup> Bear, Rahman, & Post, *Bus Ethics* (2010) 97: 207. 2010

PricewaterhouseCoopers (PwC), the second largest professional service company in the world, highlights how boardrooms are changing in their 2018 Annual Survey. Major takeaways from this study provide insight into public company boards and the critical role they play, yet the slow progression and change that come along with its savvy and experienced members. Their survey discusses the full range of issues boards face in today's climate, including corporate culture and cybersecurity.

In PwC's annual survey, 94% of directors agree that board diversity brings unique perspectives to the boardroom.<sup>65</sup> This is a four-point increase since their 2017 study, where 91% of boards report that their board has taken steps toward diversity. Within the years of research and proven benefits of becoming more inclusive, 54% of boards say the push towards more diversity in the boardroom is driven by political correctness.

Bear, Rahman and Post's performed a study in 2010 of how diversity in corporate boards affects firms' corporate social responsibility ratings and how it influences corporate reputation. When discussing board composition and corporate responsibility, diversity of experience is an essential asset as studies with management teams have shown that functional diversity can enhance team innovation through the generation of alternative solutions and innovation. (Bantel and Jackson, 1989; Joshi and Roh, 2009)<sup>66</sup>

“Accordingly, the greater the diversity of board resources, the greater the potential for understanding and problem solving that can enable the board to effectively address the business environment and encourage positive ratings for corporate social responsibility.”<sup>67</sup>

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<sup>65</sup> The Evolving Boardroom: Signs of Change PwC's 2018 Annual Survey. Report. October 2018.

<sup>66</sup> Bear, S., Rahman, N. & Post, C. J Bus Ethics (2010) 97: 207. 209

<sup>67</sup> Bear, Rahman, & Post, Bus Ethics (2010) 97: 207.

There is no optimal composition for any public company board, but it is imperative that directors consider not only whether their boards are "diverse," but also other factors that drive board composition.<sup>68</sup> Corporate companies should anticipate that their board's composition will remain under scrutiny by investors and should prepare to discuss these issues openly and cogently in the coming future.

## **2.2 Nonprofit Literature**

Given that diversity and inclusion is one of the most studied areas of corporate governance, Sparse research has been conducted on the placement and hidden agenda of the exceedingly educated and high profile board members of art museums. Within the nonprofit industry, the majority of research has been published regarding staff and attendance.

To gain an understanding of the current research published on art museums in American, this thesis turns to reports, data analysis, and case studies performed regarding diversity and inclusion in today's leading art museums and nonprofits.

In 2017, the American Alliance of Museums and BoardSource conducted a national survey, providing the most up-to-date compendium of information on nonprofit board practices, performance, and policies. With more than 1,300 charitable institutions surveyed, 24% including art museums, this study provided a breakdown of board composition and a glimpse into the structure of the board of governance in nonprofit institutions.

The in-depth look into the national survey, this study assessed what the statistics and opinions are currently taking place in boardrooms, executive offices, and operating

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<sup>68</sup> "Board Diversity: Are Your Directors Ready for 2019?" JD Supra. December 7, 2018.



museums in America. This study takes an overall temperature of where boards are in this generation and point out why there exists a lingering adaption to change.

A significant key finding in this annual report is that museum directors and board chairs believe board diversity and inclusion are essential to advancing their mission but have failed to prioritize action steps to achieve it. Also, a vast majority, 70%, of museums do not assess their performance and have not conducted a formally written self-assessment to evaluate their performance. Though a widely accepted best practice, 16% of museums have held a board-self assessment in the past two years, compared to 48% of other nonprofit boards.

As the board is responsible for making sure their practices are in alignment with the museum and the community, there lies an improper shift in balance in the boardroom. This balance often depends on the lifecycle and size of the organization – young or small organization often have working boards that are involved in day-to-day activities, while mature, larger organization have boards that focus on strategic issues and oversight at a higher level.

Political and social changes are shifting the community and world landscape. Therefore, boards should strive to evolve with those changes and grow their policies. By assessing whether judgment needs to be made, boards need to be periodically reviewed.

Leadership teams now recognize the need to adapt and examine who is sitting around the table. When critical decisions need to be made, a diverse and inclusive board with various backgrounds in professional and personal experience adds quality to any board. The board is expected to “represent” the organization’s community as a way to create accountability and form a link with the public, but that is rarely the case.

In William A. Brown's study, he suggests that nonprofit boards are becoming increasingly diverse (Rutledge, 1994) and yet the effect of diverse board composition on performance is not apparent.<sup>69</sup>

This study concluded that a board of directors who is more racially diverse are more sensitive to the interest and concerns of stakeholders.<sup>70</sup> Board of directors who are 20% racially diverse associate with this level of improved performance. "Environmental turmoil and changing constituents substantiates the need of nonprofits to reach-out and draw in fundamental constituents."<sup>71</sup>

Stated in the book *Museums 101*, museums are mostly business, and what matters is pleasing the visitor, which to him is the same as customers. Walhimer argues there are other stakeholders, but they are instead a traditional group such as donors and elected officials. Museums become dependent on its audience and donors who support the museum through financial backing.

Starting in 2015, the consulting firm Ithaka S+R partnered with the Andrew W. Mellon Foundation and set out to discover the strategies and practices of art museums under the topics of diversity, inclusion, and equity. Through detailed case studies, this analytical capstone report details the successes and challenging issues of equity, diversity, and inclusion in today's leading art museums.

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<sup>69</sup> Brown, William. (2002). Racial Diversity and Performance of Nonprofit Boards of Directors. *Journal of Applied Management and Entrepreneurship*. 3.

<sup>70</sup> Brown. (2002). Racial Diversity and Performance of Nonprofit Boards. 17.

<sup>71</sup> Ibid.

The concluding capstone report combines the findings from each of the case studies performed to indicate possible ways of increasing staff and board diversity, cultivating an inclusive and equitable climate in the museum.<sup>72</sup>

This study found that by setting targets for board member diversity and developing strategies to expand beyond informal networks when integrated this can lead to obtaining a more inclusive board. Capital needs for a museum result in a high barrier to diversification, but when the reliance on social networks is a primary recruiting method, museums are creating yet further barriers to entry for people who would bring diversity to the board.<sup>73</sup>

It is essential for art museum boards to set strategies and to cultivate alignment on the board around equity, diversity, and inclusion. A high level of attention and cultural competency on the board is critical, especially in diverse communities where the board is not already diverse.<sup>74</sup>

Mariet Westermann, the Executive Vice President of The Andrew W. Mellon Foundation, believes that it should be possible in the long run for art museums to align themselves more fully with the panoply of interests and needs of the American people.<sup>75</sup> This slow progression towards change will depend on the sustained commitment and accountability of museums, but that what gets measured will likely get done.

Russell Reynolds Associates 2017 study performed an analysis of the board structure and composition of the leading U.S. based nonprofit organizations. Comparing statistics of *Fortune 500* companies with leading nonprofits, this study supports this

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<sup>72</sup> Sweeney and Schonfeld. "Interrogating Institutional Practices in Equity... Ithaca S+R. 2

<sup>73</sup> Ibid. 8

<sup>74</sup> Ibid.

<sup>75</sup> Ibid. 3

thesis by discussing how a nonprofit organization needs to become more diverse and inclusive to govern the community they serve rightly. This study looked at nonprofits within the sectors of private and community foundations, museums, performing arts, international non-governmental organizations, and non-governmental organizations.

Significant key findings exposed the landscape of current board of directors, including board composition and size. Averaging thirty members, nonprofit boards are compared to the average eleven members of *Fortune 500* companies. Private foundations hold the smallest board sizes, an average of eleven members, where performing arts institutions have the largest at an average of sixty-eight members.

However, re-examining size is one way in which nonprofits can consider the tradeoff between effectiveness, agility, diversity of skill sets, and funding sources. Functionally, larger boards can result in more committees beyond the most common executive, finance, governance, and development committees.<sup>76</sup> On the other hand, small board composition can lead to more effective meetings and participation.

Although nonprofits boards have become more inclusive to gender disparity compared to for-profit companies, there is still a definite lacking of gender diversity within the museum sector of nonprofits. According to Russell Reynold Associates, museums have the lowest percentage of female representation, 30%, within the nonprofit sector. This is compared to the highest rate of females, 42%, serving on boards in the foundation sector.

Racial diversity also constitutes a significant challenge for nonprofit boards. Non-white members in the nonprofit sector take an average of 13% of board seats compared to

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<sup>76</sup> Tydings, Archer, Ferreira, Hechinger, Nash, Hayes, Von Heymann, and Dessaint. "Who Sits at the Boardroom Table? A Look inside Nonprofit Boards." Russell Reynolds, January 24, 2018, 1-20. 4

14% on *Fortune 500* boards. Again, museums are ranked the lowest at 3% of non-white representation serving on the board. Russell Reynold Associates suggests to contextualize diversity efforts and pursue an approach to recognize and act on the organizational needs of an institution.

This study also finds an overwhelming majority, 65%, of nonprofit board members are professionally employed, mostly within the private sector.<sup>77</sup> Striving to maintain a well-rounded board regarding industry and a functional range is key to supporting a financially stable nonprofit organization.

However, there is a great fundraising imperative for museum boards, which naturally carry a higher share of for-profit employed board members compared to other nonprofit sectors that are not reliant on fundraising, such as foundations. Museums have the highest percentage of board members employed in the nonprofit sector at 53%.

Financial services are the most represented sector among board members, while the technology sector is served the least. "Interestingly, museums, which face, in particular, the pressure of digital innovation, have the lowest share of board members employed in the technology sector."<sup>78</sup> A diverse range of sectors sitting on a board of directors can only advance the field of knowledge, financial expertise, and an array of perspectives to a high fundraising institution, such as a museum.

New York City contains a bedrock foundation of diversity while also serving as the art market capital of the world. However, based on the survey responses, nonprofit board demographics do not adequately represent NYC's diversity, nor the communities

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<sup>77</sup> Tydings, Archer, Ferreira, Hechinger, Nash, Hayes, Von Heymann, and Dessaint. "Who Sits at the Boardroom Table?" Russell Reynolds, January 24, 2018, 1-20.

<sup>78</sup> Ibid. 8

they serve.<sup>79</sup> The majority of board members in *What Lies Beneath* identified as 64.7% Caucasian, between the ages of 46 and 64, and 80.1% heterosexual.<sup>80</sup>

This study suggests that NYC nonprofit board members have an almost equal standing between male and female, female representing 49.3% and males 50.4%.<sup>81</sup> While on the surface this appears to be a promising finding, gender parity is not accounted for in the art museum sector and does not lead to gender equity. This study is not able to conclude full equality in gender disparity as certain board positions do hold higher merit, such as a Vice Chair or Treasurer.

Lee Parker David's study offers an in-depth look into one of the very few available insiders observational studies of the boardroom behavior. This study performed an inductive analysis which revealed that boards that proactively manage director recruitment and selection, board member terms and rotation, with a strong emphasis on board membership diversity and representation.<sup>82</sup>

Parker leads with the fact that knowledge of the interworking of a nonprofit boardroom is very limited to the public. As the nonprofit sector is responsible for a significant and arguably increasing proportion of community assets and services, this study is meant to deepen prior theories concerning the lack of diversity and inclusion within boardroom governance.<sup>83</sup>

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<sup>79</sup> Ibid.

<sup>80</sup> "Respondents were asked to share the total number of board members and self-report on the age, gender, race/ethnicity, sexual orientation, and disability status for all board members and the CEO/ED. There was an "unsure" and "other" category provided for these questions as well. Due to the open-ended structure of this question, responses were prone to inconsistencies: many responses in each composition category did not add up to the total number of board members reported. Therefore, the data analyzed in this survey only includes categories in which the total matched the total number of board members reported."

<sup>81</sup> Avila, Negash, Gavin, Ferber, Jayasinghe, and Stapel. *What Lies Beneath: Report*. New York, NY: Nonprofit Coordinating Committee of New York, 2018.

<sup>82</sup> Parker. (2007). *Internal Governance in the Nonprofit Boardroom*. 923.

<sup>83</sup> Ibid. 926.

Parker discusses how nonprofits experience difficulties in recruiting and retaining directors of appropriate expertise and experience. By informally recruiting new members, nonprofits struggle with a high turnover rate of directors. More active directors have longer tenure than the more temporary membership of less actively involved directors.

As the informal selection process becomes centered around informal networks, nonprofit do however regard diversity as a primary factor ranked higher than other criteria. The rationales for these factors were more highly rated in nonprofit organizational boards include aiming for a board membership profile that mirrors the diverse characteristics of its key stakeholder groups.<sup>84</sup>

Self-evaluation, which then leads to a high turnover rate, are discussed in this study when accessing boardroom process and performance. Parker suggests that evaluation of the collective performance of the board is more likely to be informally conducted, indicating reasons such as pressure, discomfort with individual assessments and skepticism about the benefits associated.<sup>85</sup>

As boards do employ services to prevent high rates of turnover, evidence suggests that nonprofit directors may be required to resign more often than private sector directors.<sup>86</sup> As the private sector turn over may be a result of age limits and unsatisfactory performance, the nonprofit sector resignations occur most often due to the expiry of term limits set by the board (Leatherwood and O'Neal, 1996).<sup>87</sup>

The NYC Service & Nonprofit Coordinating Committee also address the deeply rooted connection between board complacency and fear of change. With the addition of

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<sup>84</sup> Ibid. 927

<sup>85</sup> Parker. (2007). Internal Governance in the Nonprofit Boardroom.

<sup>86</sup> Ibid.

<sup>87</sup> Ibid.

diverse members, new ideas, a challenge of old strategies, and disruption of existing synergies may be implemented. As specific questions and critique are critical in success, growth, and relevance, the potential of board stagnation hinders efforts in diversity, equity, and inclusion.

This study found that younger organizations are less susceptible to stagnant boards and therefore more likely to be adaptable and open to change.<sup>88</sup> Organizations that are five-years-old or younger have 33% African American/Black and Hispanic/Latino board members. In opposition, organizations that are over 75 years old have 10% African Americans/Black members, and 3% Hispanic/Latino members.<sup>89</sup>

“Older organizations should be more intentional in preventing and addressing board stagnation and fear of change, which includes accepting the potential shifts of power and privilege that may come with disrupting the status quo of board membership.”<sup>90</sup> “When you effectively integrate diversity into your nonprofit’s service delivery strategy, more individuals will benefit from the services you offer.”<sup>91</sup>

### **2.3 Findings and Recommendations**

Given the current literature suggesting that diversity tends to generate higher creativity, innovation and quality decision making at individual and group levels, we know diversity can provide service benefits for companies and organizations. However, the shortage of implantation and strategies in place suggest severe lack of motivation behind inclusion and diversity in a board of governance.

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<sup>88</sup> Avila, Negash, Gavin, Ferber, Jayasinghe, and Stapel. *What Lies Beneath: Report*. New York, NY: Nonprofit Coordinating Committee of New York, 2018.

<sup>89</sup> Ibid.

<sup>90</sup> Avila, Negash, Gavin, Ferber, Jayasinghe, and Stapel. *What Lies Beneath: Report*. New York, NY: Nonprofit Coordinating Committee of New York, 2018.

<sup>91</sup> Heyman, Darian Rodriguez. *Nonprofit Management 101*; Jossey-Bass, 2011.



Erhardt, Werbel, and Shrader suggest that there is a need to develop a robust theoretical framework to understand diversity and its advantage in the business area better. By highlighting the alternative generation theoretical models, this research may conclude that women and minorities who serve on boards have more effective decision-making skills.<sup>92</sup>

Regardless of whether it is the cause or result of performance, it does appear that firms should seriously consider the potential for the enhanced representation and perspective diversity might create.<sup>93</sup> As companies strive for better results in corporate culture, political correctness, financials and returns on investment, the art sector is also capitalizing on the benefits of museum diversity.

Russell Reynold Associates suggests bridging the gap between gender parity and racial diversity to consider the composition of the beneficiaries and communities the organization is serving and aim to reflect the same type of diversity on the board.<sup>94</sup>

An institution could include community representatives on board committees in a non-voting capacity when looking beyond traditional candidate pools. This study also suggests public accountability by holding the organization more accountable while improving diversity efforts. Although there is a small sense of transparency within the nonprofit sector through public tax filings, the data available regarding board composition and breakdown is not as openly available.

Russell Reynold Associates also suggests conducting a regular audit of skills of the current members serving on the board to better ensure the skills align with the

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<sup>92</sup> Erhardt, Werbel, Shrader. "Board of Director Diversity and Firm Financial Performance." 2003. 20

<sup>93</sup> Ibid.

<sup>94</sup> Tydings, Archer, Ferreira, Hechinger, Nash, Hayes, Von Heymann, and Dessaint. "Who Sits at the Boardroom Table? A Look inside Nonprofit Boards." Russell Reynolds, January 24, 2018. 7

mission of the organization. By defining specific candidate selection criteria, which should not be linked only to fundraising potential, this will better help a board recruit and diversify.

As women and minorities experience more obstacles compared to their white counterparts there lies immense pressure, higher expectations, and qualification standards. This leads to the conclusion that people of the same race and gender are less critical of each other's performance, which could lead to a cohesive, well communicating and thought-provoking board of directors. Alternatively, it could be that a broader information base is taken into consideration when providing more effective input into the decision-making process.<sup>95</sup>

PwC recommends that boards should conduct individual assessments and that a board's annual performance assessment should help spark discussion about board composition.<sup>96</sup> In agreement with Erhardt, Werbel, and Shrader, PwC also suggests strategic approaches to board succession planning and broadening the definition of diversity. Forward-looking boards expand the universe of potential qualified candidates by looking outside of the executive's offices, and even considering investor recommendations.<sup>97</sup>

Cedric Herring's study on the return on investment around increasing racial diversity within the corporate workforce, *Does Diversity Pay*, found that diversity associated with increased sales revenue, more customers, greater market share and great relative profits. Herring declares these benefits of diversity, such as creativity and

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<sup>95</sup> Ibid.

<sup>96</sup> The Evolving Boardroom: Signs of Change PwC's 2018 Annual Corporate Directors Survey. Report. October 2018. Accessed December 2, 2018. 17

<sup>97</sup> Ibid.

sustainability, apply to the nonprofit sector as these are objectives every organization should seek to achieve.

AAMD and AAM recommend museums to develop diverse applicant pools by broadening job requirements.<sup>98</sup> By looking for candidates with non-traditional backgrounds, this will lead to a new set of valuable skills brought to the table along with a new network to the museum. This study suggests that introducing greater flexibility in the hiring and promotion process allows some museums to attract a broader pool of candidates and can lead to greater representational diversity among museums staff.<sup>99</sup>

Recommendations for diversifying the board include setting targets and goals while developing strategies to expand beyond informal networks. Seen as the most challenging task for a museum and the director, it is essential to cultivate alignment on the board around diversity, equity, and inclusion so focused values can be pursued throughout the organization.

The *What Lies Beneath* recommends that nonprofits proactively move away from a surface-level understanding of diversity, equity and inclusion, that can lead to counterproductive and ineffective thinking and solutions.<sup>100</sup> By establishing a standard, agreed-upon language when implementing diversity strategies, organizations must identify what potential gaps exist.

“Developing a shared language for diversity, equity and inclusion can also include board members who are less familiar with this work, and serve as a framework that can

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<sup>98</sup> Sweeney, Liam, and Roger Schonfeld. "Interrogating Institutional Practices in Equity, Diversity, and Inclusion: Lessons and Recommendations from Case Studies in Eight Art Museums." Ithaka S+R.

<sup>99</sup> Sweeney and Schonfeld. "Interrogating Institutional Practices in Equity, Diversity, and Inclusion..." Ithaka S+R.

<sup>100</sup> Avila, Negash, Gavin, Ferber, Jayasinghe, and Stapel. *What Lies Beneath: Report*. New York, NY: Nonprofit Coordinating Committee of New York, 2018.

be reinforced when navigating these discussions.”<sup>101</sup> By providing ongoing education and training to the board, this can then lead to a successful implementation of diversity and sets them up for more successful governance.

This study also recommends building internal support in mobilizing change by championing internal momentum in DEI efforts. Although nonprofit board members are volunteers and donate their time and resources to the organization, the limited time paired with competing priorities can make it easier for DEI initiatives to take a back seat. By looking to influencers that can help foster, move forward, and operationalize cultural change, this recommendation can set heightened attention and time to execute change effectively.

CEO and Co-Founder of *Ellevest*, Sallie Krawcheck, discusses when companies expand their employee engagement, there is less risk-taking and stronger and higher returns. As she points out, the many diverse committees, women's groups, mentoring programs, and even showcasing pictures of women and people of color in your annual report, does not increase diversity.

These strategies are not working. With so many companies and institutions implementing these soft agenda's, the progress of diversity in business is still stalled.<sup>102</sup> Krawcheck believes that the issue stems from the lack of diversity on Wall Street. "In an industry in which 90% of fund managers are men, and the vast majority of profit and loss roles are held by men, diversity in the years after the financial crisis went backward."<sup>103</sup>

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<sup>101</sup> Ibid. 30

<sup>102</sup> “Sallie Krawcheck: How to Boost Corporate Diversity.” *CNN*, Cable News Network, 19 Oct. 2018.

<sup>103</sup> Ibid.

To achieve corporate diversity, Parker has stated that compared to corporate sectors, nonprofit institutions appear to regard diversity of board members as a more important selection criterion. Excellent public and professional profile, network relationships, and communication skills are ranked higher in the corporate sector.<sup>104</sup>

The many benefits associated with increasing diversity within the board of directors can directly relate to the adversity museums face when making tough decisions regarding acquisitions, finances, exhibition proposals, and fundraising. Having a better understanding of the marketplace, being able to problem-solve more effectively, and promoting better global relationships all directly relate to the art sector.

As art museums become rooted in the strategic methods to improve diversity and inclusion within their board of governance, these museums should focus on shifting diversity and inclusion from an isolate conversation to an integrated core. There are many ways to strengthen the role of diversity and inclusion in a governing body, but by reflecting on your practices, museums can gain confidence in reaching their full governing potential.

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<sup>104</sup> Parker. (2007). Internal Governance in the Nonprofit Boardroom. 297

### **Chapter 3: Queens Museum Case Study**

In this chapter, this thesis will examine the Queens Museum, which allows this thesis to look into an art museum that is located within a historically diverse community. By assessing the surrounding community in which the museum serves, this thesis will be able to have a better understanding of the diversity and inclusivity within the Queens Museum Board of Trustees, and if that accurately reflects the community in which they serve.

#### **3.1 Rationale**

Queens is a uniquely diverse, ethnic, cultural and international community. Positioned within the grounds of the 1939 New York World's Fair, the Queens Museum remains a hub for cultural collaboration set in the most diverse city in the United States. Originally named the Queens Center for Art and Culture, the Queens Museum was founded in 1972 and serves more than 250,000 people annually through on-and off-site programming and caters to about 200,000 visitors each year.<sup>105</sup>

The Queens Museum operates with a mission statement that presents a promise to dedication in offering the highest quality of visual arts and educational programming for people in the New York metropolitan area, and particularly for the residents of Queens. The museum's three-paragraph mission statement also states its presentation of artistic and educational programs and exhibitions that directly relate to the contemporary urban life of its constituents, while maintaining the highest standards of professional, intellectual and ethical responsibility.

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<sup>105</sup> Queens Museum. *About the Queens Museum*. 2015.

Positioned within the largest of the five boroughs of New York known for its immersive saturation of cultural heritage, Queens Museum upholds a substantial responsibility of being inclusive and diverse solely based on their setting. Amongst other most well-known cultural institutions of the borough, such as the Museum of the Moving Image and MoMA PS1, the Queens Museum still upholds a mission statement to serve the uniquely diverse, ethnic cultural and international community of Queens.

Queens contains a population where 47% of the residents are immigrants, according to the 2016 Census Bureau.<sup>106</sup> With a forty-six year operating history, the Queens Museum is competing on a large scale, with a mission to present relevant exhibitions and programming to serve their community of 2.3 million residents properly. Representing more than half of the workforce and making up 69% of the self-employed entrepreneurs, Queens has seen a dramatic rise in private sector jobs since the 2008 recession.

Housing over a quarter of New York City's population, 27%, Queens remains a stable and thriving population since 1980. With 25% Hispanic and Latino, 25% White, 25% Asian, and 17% African American, on paper, the Queens Museum would have a benefit in nominating a diverse board based on the Census data available representing the workforce and population.

The main economic drivers of the borough represent the transportation and health sectors with an estimated 52,100 businesses in 2017, an increase of 22% since the end of the recession. With more than two-thirds of companies with fewer than five employees,

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<sup>106</sup> DiNapoli, Thomas P., and Kenneth B. Bleiwas. An Economic Snapshot of Queens. May 2018. Raw data. Queens, New York, Queens. Report 1- 2019

the Queens Museum's Board of Trustees is currently heavily represented by the small business sector.

A small business mentality is evident within the makeup of Queens, along with the museum. With a robust and diverse framework, Queens represents a small business mentality which can result in tunnel vision and resistance to change. Evident within the low turnover between the members of the Board of Trustees, the Queens Museum appears to remain stagnant in their forward thinking and progressive mission.

### **3.2 Board Composition and Performance**

The Queens Museum currently has twenty-two members serving on its Board of Trustees. Currently serving on the Board of Trustees appear to be twelve males and ten females. From 2010 to 2016, the Queens Museum of Art was operating with an average of 22.1 voting members, according to their Form 990s.

The Board of Trustees is currently comprised of individuals representing sectors of business in private equity, real estate, health care, nonprofit, marketing, and communications to name a few.

According to the 2016 Queens Museum Board of Trustees Committee List, the board committees meet quarterly via teleconference or in-person. A minimum of two or three board members acts on these committees, with additional expertise if needed.

These committees include Executive, Nominating, Finance, Audit, Collections, and Events and Development. These are all standard, and necessary committees for an art museum and a staff liaison serves on a few of the committees,



Due to the lack of data available in the breakdown of duties and roles for the specific board of directors, data is not available to see how long members have been placed on each of these committees.

In November 2013, the Queens Museum completed its \$69 million-dollar transformation which renovated and expanded its building. Viewed as an extension of Corona Park, the Queens Museum also changed its name in 2013 from the Queens Museum of Art to Queens Museum. Under the direction of Tom Finkelpearl, this expansion started in 2009.

The project took seven years to complete instead of the three announced initially, while the budget also ballooned to \$68 million from the \$37 million originally planned.<sup>107</sup> This renovation added \$1 million to the \$4 million annual operating budget, as well as six new full-time positions.<sup>108</sup>

Tom Finkelpearl was the President and Executive Director of Queens Museum before being appointed as the NYC Cultural Affairs Commissioner. During Finkelpearl's twelve-year run at Queens Museum, he hired community organizers to professionalize outreach efforts and emphasize the diversity of the local immigrant population.<sup>109</sup>

After the million-dollar renovation and expansion, implantation of diverse programming, and a growing operating budget, Finkelpearls stated "I feel like I should stay for a while. It is the second or third year when things get difficult."<sup>110</sup>

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<sup>107</sup> Pogrebin, Robin. "Bidding on the Future in Queens." *New York Times*, August 27, 2013.

<sup>108</sup> Ibid

<sup>109</sup> Pogrebin, Robin. "Museum Director to Be Commissioner of Cultural Affairs." *New York Times*, April 6, 2014.

<sup>110</sup> Pogrebin, Robin. "Bidding on the Future in Queens." *New York Times*, August 27, 2013.

Finkelpearl announced his departure from the Queens Museum in April 2014, leaving the working operational budget for the Queens Museum tight with a drop of total revenue from FY 2015 to FY 2016 at \$1.6 million. Laura Raicovich was appointed as the Executive Director in October 2014.

In November of 2018, the Queens Museum hired Sally Tallant as the new director, following former President and Executive Director Laura Raicovich. After an unfortunate series of miscommunication and adverse events, Raicovich stepped down in January of 2018 stating that her "vision and that of the board were not in enough alignment."<sup>111</sup>

The Queens Museum Board of Directors issued a report expressing the poor judgment of Raicovich and then Deputy Director, David Strauss, in misleading information of political consciousness matters. The report was conducted pro bono by the law firm Katten Muchin Rosenman. Raicovich resigned citing differences with the board that prevented her from taking political stands on issues such as immigration.<sup>112</sup>

The report states that Raicovich and Strauss "exercised poor judgment concerning the Permanent Mission's rental request, knowingly misled the Board, and otherwise failed to comport themselves with the standards consistent with their positions."<sup>113</sup> This report also stated that the board offered the pair the chance to resign before their exits. Raicovich stated that this was not true.

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<sup>111</sup> Pogrebin, Robin. "Curators Speak Out in Support of Departing Queens Museum Leader." *The New York Times*. January 31, 2018.

<sup>112</sup> Pogrebin, Robin. "Queens Museum Report Says Former Director 'Misled the Board'." *New York Times*, February 14, 2018.

<sup>113</sup> Brady, Ryan. Law Firm Probe Finds Ex-Queens Museum Officials 'misled' Board of Trustees." *Queens Chronicle*, February 15, 2018.

Council Rory Lancman states that “The Executive Director of the Queens Museum is supposed to represent Queens’ values and interests. Ms. Raicovich’s behavior was a breathtaking breach of that responsibility to us, and for us.”<sup>114</sup>

However, the stepping down of Raicovich was not taken lightly by the art community as directors, curators and staff members from other cultural institutions across the nation expressed their opinion on the matter. A Queens Museum Trustee even resigned from the board, citing his disappointment with the board’s decision and the resignation of Raicovich.

“The Museum Board is in dereliction of its duty of care to its main constituency, the wonderfully diverse people of Queens, in allowing such hateful and divisive purely political entities into our community space,” Mr. Nammack stated in his response letter.<sup>115</sup>

Four years prior, then Board Chair and now board member Peter Meyer praised the appointment of Raicovich stating how over the past two decades she has strengthened arts institutions, realized the visions of artists, and engaged in diverse constituencies. "Our shared philosophy of the future of the museum, belief in the power of the arts to exact positive change, and dedication to making the arts relevant to all audiences made her the right person to move the museum forward."<sup>116</sup>

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<sup>114</sup> Ibid.

<sup>115</sup> Pogrebin, Robin. "Curators Speak Out in Support of Departing Queens Museum Leader." *The New York Times*. January 31, 2018.

<sup>116</sup> "Queens Museum Appoints New Executive Director Laura Raicovich." Queens Museum. October 2, 2014.

In October 2017, current museum chairman Mark J. Coleman stated: "This is an engaged time, and [Raicovich] is an engaged leader who has placed values on difference and multiplicity at the center of her leadership."<sup>117</sup>

This year, Mark J. Coleman, who appears to be serving on the board since at least October of 2015, sings the praises of Sally Tallent, the new Executive Director who was the artistic director and chief executive of the Liverpool Biennial. "Her unique combination of local and global experience in the art world made her the superlative choice for leading the Queens Museum, and for serving the borough's distinctively international constituency," states Coleman.<sup>118</sup>

The board's decision to conduct a formal report on an acting director does not show much confidence in their hire. As previously noted, one of the board members resigned over this conflict, which suggests unequal sway within the board's composition. Individual board members are having more power over others when making decisions.

The lack of transparency between the director and board is densely displayed in the historical performance of the Queens Museum of Art. A misalignment of priorities, goals, programming, and dedication to the mission has been shown through the turn-over rates of directors and stagnant members of the board of directors.

What is the tipping point for the Queens Museum Board of Trustees and the working relationship with the director? Confidence and trust are set in place once hired, but the freedom and creativity the director express is then questioned. Due to an informal and vague set of rules and regulations the board of trustee implements, this then makes the acting director's job skewed and complex.

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<sup>117</sup> Pogrebin, Robin. "At Queens Museum..." *New York Times*, October 8, 2017.

<sup>118</sup> Pogrebin, Robin. "Queens Museum Looks to..." *New York Times*, November 4, 2018.

"To be a responsible citizen in a democracy, one has to be involved in a kind of civic engagement," states Laura Raicovich, former Executive Director of the Queens Museum. "Culture has a huge role to play in that. And museums have a huge role to play in that."<sup>119</sup>

### **3.3 Summary**

The Queens Museum Board of Trustees has had a complex history of miscommunication, lofty decision making, and low turnover. Governing under a director who serves for twelve years will naturally implement a low turnover rate, but with two directors now preceding Finkelpearl in almost a five years-time, change needs to take place.

The resignation of Finkelpearl also left a high risk for the new acting director to fill his shoes with some new budget restrictions, building design, and funding challenges. This is one of the results of a lack diversity and inclusivity as a new appointment, especially of a female or minority, take on the meaning of the "glass cliff." Higher risk associated with the implementing of change as the failure is at its highest while change is less likely to be accepted or noticed.

The Queens Museum would greatly benefit from diversity and inclusion within the boardroom to better their global partnerships (Carter, Simkins, Simpson), and lower their costs when dealing with high rates of turnover and absenteeism (Cox and Blake, 1991).

The Queens Museums is looking to a brighter future after their rough past couple of years with a new director in place. This decision was made by a group of individuals

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<sup>119</sup> Pogrebin, Robin. "At Queens Museum, the Director Is as Political as the Art." *New York Times*, October 8, 2017.

who have struggled to maintain a director that satisfies the needs of the community and the wants of a Board of Trustees, hopefully, the new director will be able to navigate the waters of a diverse and expanding community while in the boardroom of a small group of individuals.<sup>120</sup>

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<sup>120</sup> For more information regarding the Queens Museum's financials and Form 990 findings, please refer to Appendix 1.

## **Chapter 4: Brooklyn Museum Case Study**

In this chapter, this thesis will examine the Brooklyn Museum, which allows this thesis to look into one of the nation's largest art museum located within an iconic historically diverse community. By assessing the surrounding community of Brooklyn, in which the museum is located, this thesis will be able to have a better understanding of the substantial sized Board of Trustees, and if that accurately reflects the community in which they serve.

### **4.1 Rationale**

Coveted as one of the oldest and largest art museums in the United States, the Brooklyn Museum's reimagined entrance bestows a contemporary exterior, rewriting the history of the grand museum staircase entrance. The Brooklyn Museum offers an extensive collection of roughly 1.5 million works of art spanning over 5,000 years of history while representing cultures from around the globe.<sup>121</sup>

Rooting back to 1823 and originally titled the Brooklyn Apprentices Library, the Brooklyn Museum merged with other major institutions of the borough including the Brooklyn Botanic Garden and Brooklyn Institute of Arts and Science.

The Brooklyn Museum is arguably the largest attraction in the cultural sector, but it is accompanied by the many other world class surrounding attractions including the Brooklyn Children's Museum, Barclay Center, and the Jewish Children's Museum. Over past generations, the Brooklyn Museum has embedded itself as a focal point of the cultural additions of the burgeoning city of Brooklyn.

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<sup>121</sup> "About the Museum." Brooklyn Museum.

By the 1970s, the cultural institutions became independent, and the planning for the 560,000 square foot arts institution began. It is currently in its one hundred and twenty-first year of operation. Due to shifts in the borough's mainstream cultural capital and real estate values increasing since the 1990s, the Brooklyn Museum now operates as part of the Cultural Institutions Group in New York City, a group of 33 organizations built on city land that receive substantial municipal funds.<sup>122</sup>

The Brooklyn Museum's mentality from the architecture, to acquisitions, to their board of directors, appear to be the bigger, the better. The large scale of the museum, currently New York City's third largest in physical size, was initially planned to be four times as large as the actualized version. Due to its large capacity, the museum has struggled to keep up with demanding renovations, costs, and the full number of art museums within New York City.

Within the art museum sector, these traits specifically benefit to the unique objectives and hurdles art museums have to face compared to other industries of nonprofit institutions. Differentiating from many other art museums within the five boroughs, the Brooklyn Museum is an encyclopedic museum with an extensive collection of Egyptian and African Art, decorative arts, and objects ranging from the 17<sup>th</sup> to the 21<sup>st</sup> century. They are also globally known for their Elizabeth A. Sackler wing, which houses the large-scale sculpture by Judy Chicago, *The Dinner Party*.

The Brooklyn Museum presents an open-ended mission statement which broadly defines their community as "we" and "the world." Situation amongst the largest foreign-born populations in the nation, the Brooklyn Museum has an immense responsibility to

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<sup>122</sup> "City-Owned Institutions," NYC Department of Cultural Affairs,



properly service their community, along with the world, to educate and connect with their audience.

During the postwar years, Brooklyn's demographics have dramatically transformed due to a shift in manufacturing. "White flight, fueled by government subsidies in outlying communities, created a dramatic shift in the racial composition of the borough; between 1940 and 1990, Brooklyn gained 1.3 million people of color and lost 1.5 million white people."<sup>123</sup> "With a population of 8.6 million residents, New York is by far the largest city in the country and has long prided itself as one of the most diverse cities in the nation, if not the world."<sup>124</sup>

Census data from 2016 suggests that Brooklyn is made up of 36% White, 30% African American, 19% Hispanic or Latino, and 12% Asian.<sup>125</sup> Among the population in Brooklyn, 36% of its residents are foreign-born, which is the 6<sup>th</sup> highest share of any country in the nation.

According to Census data, immigrants represented almost half of Brooklyn's workforce and made up 57% of the self-employed entrepreneurs. With the private sector growth, the strongest since the 2008 recession, Brooklyn is outpacing the rest of New York City, the state of New York, and the nation in this category. This is attributed to the creativity and entrepreneur nature of its residents, as Brooklyn is paving the way for many cities to boost their economic growth.

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<sup>123</sup> Schonfeld, Roger C., and Liam Sweeney. "I Recommend Dancing" Brooklyn Museum's History of Inclusion and Moment of Transition.

<sup>124</sup> Avila, Crystal, Dabash Negash, Paula Gavin, Constance Ferber, Tiloma Jayasinghe, and Sharon Stapel. What Lies Beneath: The State of NYC Nonprofit Board Diversity, Equity, and Inclusion. Report. New York, NY: Nonprofit Coordinating Committee of New York, 2018. 1-37.

<sup>125</sup> DiNapoli, Thomas P., and Kenneth B. Bleiwas. An Economic Snapshot of Brooklyn. June 2018. Raw data. Brooklyn, New York, Brooklyn. Report 3-2019

As cultural forces interact with the shifts in the waterfront real estate market, Brooklyn is now entering a phase of significant displacement. A response to cheap industrial real estate, developers and city officials pursued a course of “urban renewal” that would eventually lead to the gentrification of many parts of the borough.<sup>126</sup> A presence of creativity is evident within the median age of Brooklyn’s residents, along with the tech industries sudden rise. As Brooklyn is home to more than 1,350 innovation companies, it has become the fastest growing sector with a 57% increase since 2009.

In 2016, Brooklyn housed the lowest median age citywide, which was 34.8. The rise of tech and creativity start-ups has created an influx of millennials to Brooklyn as the most significant increase in age was in the population of 25-34, which rose by nearly 94,000 during this period. As of 2017, 40% of nonprofit board members were between the ages of 50 – 64.<sup>127</sup>

The Brooklyn Museum's mission statement, "To create inspiring encounters with art that expanded the ways we see ourselves, the world and its possibilities" offers a large and yet precise mission to better the world. With a broad offering of a specific community, the Brooklyn Museum firstly suggests that “we” could attribute to the community surrounding the encyclopedic museum as the county of Brooklyn itself.

The current breakdown of Brooklyn Museum visitors is roughly equal between sexes but has a slightly more female audience. The audience has a higher-education

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<sup>126</sup> Winifred Curran, "Gentrification and the Nature of Work: Exploring the Links in Williamsburg, Brooklyn," *Environment and Planning A* 36, no. 7 (2004): 1243–1258; Weber, Rachel, "Extracting Value from the City: Neoliberalism and Urban Redevelopment," *Antipode* 34, no. 3 (2002): 519–540.

<sup>127</sup> BoardSource, *Museum Board Leadership 2017: A National Report* (Washington, D.C.: Board Source, 2017). 8

degree, either college or graduate level, and 50% identify as a person of color while under the age of 20s to mid-40s.<sup>128</sup>

## **4.2 Board Composition and Performance**

The Brooklyn Museum boasts a large Board of Trustees, with thirty-nine members, including four Trustee Emeriti, according to their website. The board is comprised of art world philanthropists, collectors, artists, a music producer, investment banker, art historian, and CEOs, to name a few. The current board appears to contain 26 women and 13 men.

In November of 2018, the Brooklyn Museum added four new members to the Board of Trustees. Barbara Vogelstein is quoted stating "They bring a wealth of varied experience and expertise that will further enhance and strengthen the position of the Brooklyn Museum at the forefront of the art world. The museum is on an exciting trajectory, and new board members such as these will help us advance our mission even faster."<sup>129</sup>

The Brooklyn Museum has pursued many unconventional directions to address its community's current and emerging needs.<sup>130</sup> Dealing with aspects of the art institution regarding their extensive encyclopedic collection, exhibitions, community engagement, and criticism, the Brooklyn Museum attempts to integrate all sectors of the borough. Brooklyn Museum joined forces with Arab Art Education Initiative (AAEI) to "connect

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<sup>128</sup> Goldstein, Andrew. "Brooklyn Museum Director Anne Pasternak on How an Encyclopedic Institution Can Address Entrenched Racism and Sexism." Artnet News. December 04, 2018.

<sup>129</sup> "Brooklyn Museum Welcomes Four New Members to Its Board of Trustees."- Artforum International. November 22, 2018.

<sup>130</sup> Schonfeld, Roger C., and Liam Sweeney. "I Recommend Dancing" Brooklyn Museum's History of Inclusion and Moment of Transition.

contemporary Arab culture with diverse audiences across the five boroughs of New York City.”

The museum strives to think critically about their community and addressing the historically underserved and underrepresented populations to make the neighborhood of Brooklyn feel welcomed. The introduction of Target First Saturdays is an example of these innovative programs.

In 2016, under the new direction of Anne Pasternak, the Brooklyn Museum was running with a \$3 million deficit and offering voluntary buyouts to staff members in hopes of closing the budget gap. When Pasternak joined the museum, it was an institution facing enduring funding woes and a hole at the bottom of the bucket when it came to attendance, with visitor numbers dropping.<sup>131</sup> Under the previous direction of the now-retired director Arnold Lehman, the Brooklyn Museum was operating with the mentality of growing the audience, but in a controversial route.

Through blockbuster exhibitions, *Star Wars: The Magic of Myth* and *David Bowie is*, questions were raised as to the relevance and direction of the curatorial department, along with the relation to Brooklyn and the community. The Brooklyn Museum also experience backlash from the hiring of a white curator for the African art and was accused of decolonization.

When Pasternak was hired in 2015, the financial hurdles presented itself with creative thinking strategies regarding funding and the board of directors. The board had doubled in size to a large governing body of twenty-two members, which is considered by standard a relatively sizeable working board of governors. The number of

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<sup>131</sup> Goldstein "Brooklyn Museum Director Anne Pasternak on How..." Artnet News. December 04, 2018.

participating corporate foundations also grew by 40%, corporate sponsors increased over 20%, and Brooklyn Museum's membership grew over 14,000.<sup>132</sup>

### 4.3 Summary

The Brooklyn Museum is an essential museum that has continued to maintain their extensive collection and oversized building best. The appointment of Anne Pasternak and her new methods of growth and identifying the direct audience of the Brooklyn Museum can be viewed as an exciting outlook for the museum.

As the museum is situated in a diverse part of a diverse city, the Brooklyn Museum has to battle the odds that exist within the location, the audience, and strap for funding. Today, the museum has strategized to expand their audience and identify who is located right next to the museum.

“Now the Brooklyn Museum is for the people walking Eastern Parkway, for those living in Flatbush, Crown Heights, Park Slope, Prospect Heights, and Bedford-Stuyvesant, and, more broadly, for anyone who wants to visit an encyclopedic museum that responds to the present discourse on social justice. Its staff discusses being public in a precise and intense manner. Among them, there is no ambivalence about who the museum is for.”<sup>133</sup>

Through diversifying the board of directors and having diverse opinions around the table, the museum can operate to serve their community better. Through battling expected pressures and risks that are associated with encyclopedic museums, the Brooklyn

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<sup>132</sup> Goldstein "Brooklyn Museum Director Anne Pasternak on How..." Artnet News. December 04, 2018.

<sup>133</sup> Schonfeld, Roger C., and Liam Sweeney. "I Recommend Dancing" Brooklyn Museum's History of Inclusion and Moment of Transition.

Museum is changing the path for similar institutions across the nation to better adapt to the changing the political and social landscape of the surrounding community.<sup>134</sup>

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<sup>134</sup> For more information regarding the Brooklyn Museum's financials and Form 990 findings, please refer to Appendix 1.

## **Chapter 5: Bronx Museum of the Arts Case Study**

In this chapter, this thesis will examine the Bronx Museum of the Arts, which allows this thesis to look into a contemporary art museum located one of the most dynamic and diverse communities in boroughs of Manhattan. By assessing the surrounding community of the Bronx, this thesis will be able to have a better understanding of the Board of Trustees, and if they accurately reflect the community in which they serve.

### **5.1 Rationale**

The Bronx Museum of the Arts was founded in 1971 as a drastic attempt to stir interest and implement art into the cultural scene of the Bronx, New York. For the first ten years, the Bronx Museum of the Arts was housed in the public rotunda of the Bronx County Courthouse located off East 161<sup>st</sup> street. Deciding to move five blocks away in 1982, the Bronx Museum planted their roots in a former synagogue in Concourse, New York, bought and donated by the City of New York.

The Bronx Museum expresses a mission statement that is a commitment to connecting diverse audiences to the urban experience through its permanent collection, special exhibitions, and education programs. By reflecting the dynamic borough communities, the Museum is the crossroad where artists, residents, national and international visitors meet. The Bronx museum states within the first few words that they are a museum which focuses solely on contemporary art.

Home to nearly one-fifth of New York City's population, the Bronx remains a borough of strong-willed and resilient individuals. Since 2010, the Bronx has been the

fastest-growing county in New York, which is mainly attributed to immigration.<sup>135</sup>

Northeast of Manhattan, the Bronx remains a historical location for tremendous amounts of growth, turn around, and traditions stronger than any other borough.

Originating in name by Jonas Bronck, who established the first settlement in the area as part of the New Netherlands colony in 1639, the Bronx continuous to be an American destination for a substantial influx of immigrants since 1643. It is also the third most densely populated county in the nation. According to Census data, since the 1980s, the population has increased by 26%, which is faster than the citywide growth rate at 22%. This makes the Bronx the fastest growing county in New York State.

According to Census data from 2017, immigrants make up 37% of the population and half of the workforce in the Bronx. Within half of the workforce, 60% of immigrants living in the Bronx are self-employed entrepreneurs.<sup>136</sup>

The Bronx is to home nearly half of all Dominican immigrants in New York City, the highest share of any borough.<sup>137</sup> As of 2016, more than half of the population is Hispanic at 58%, which is twice the share of any other borough and higher than most counties in the nation. African Americans make up 29% of the population, which has remained a steady percentage for decades. Whites make up less than 10% of the people, the lowest of the five boroughs, while Asian residents make up 3%.

Due to an increase in public and private investments that have helped create new jobs, the Bronx is the only borough in New York City that did not lose any jobs during

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<sup>135</sup> DiNapoli, Thomas P., and Kenneth B. Bleiwas. An Economic Snapshot of the Bronx. July 2018. Raw data. Bronx, New York, Bronx. Report 4-2019

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.



the Great Recession. The steady decline in businesses from the 1970s has since increased in 2017, and now exceeding in numbers since 1975.

Since 2009, the Bronx has added 33,300 private sector jobs, which is near twice as many as in the second-strongest expansion during the 1990s.<sup>138</sup> However, the Bronx has been struggling with unemployment rates for decades and coming down from an impressive spike in job growth since 2015. This borough has demonstrated that through the decades their persistence and strong maintainability to remain stable and self-sufficient under extreme declines.

Bringing in more than three million visitors each year, The Bronx is home to many cultural attractions, such as the Bronx Zoo, New York Botanical Gardens, and Yankee Stadium. The Bronx Museum stands among these world-class organizations while having to also compete with world-class contemporary art museums within all five boroughs.

Other economic benefits of this borough include extensive transportation, retail, and health care. Over the past ten years, the number of businesses opening in the Bronx has increased by 17%, faster than Manhattan. Although the Bronx has struggled with the unemployment rate for decades, as of May 2018, the rate was the lowest since 1990 at 4.7%.

## **5.2 Board Composition and Performance**

The Bronx Museum of the Arts currently has twenty-nine members on their board of trustees, including three honoring members, three Ex-Officios and one Chair Emeritus. The current Chairman of the board is Joseph Mizzi, and the two Co-Chairs are Joan

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<sup>138</sup> DiNapoli, Thomas P., and Kenneth B. Bleiwas. An Economic Snapshot of the Bronx. July 2018. Raw data. Bronx, New York, Bronx. Report 4-2019

Krevlin and Carole Server. The board appears to be made up of fifteen women and fourteen men.

Members of the board are comprised of individuals who represent sectors of education, the arts, construction, to name a few. In recent years, the Bronx Museum has struggled with miscommunication between the director and board of trustees, and their understanding of the museum's mission statement.

In 2013, the Bronx Museum of Art boosted its attendance by 50% from the previous year due to a new free admission program. The annual attendance in 2013 jumped from 25,000 to 50,000. This program was made possible through a donation from philanthropists Shelley and Donald Rubin of \$500,000. "I believe museums are one of the great institutions of the world," quotes Shelley Rubin.<sup>139</sup> Shelley and Donald Rubin are the founders of the Rubin Museum of Art.

The Bronx Museum of Art forwarded their mission with this gift and prioritized access to their direct community. In a location which suffers from relatively low poverty and unemployment rates, the museum is considering where they are located first before any other museum financials.

In June of 2018, the Bronx Museum of Art hired a new director, Deborah Cullen. Previously the director of the Miriam and Ira D. Wallach Art Gallery at Columbia University, Cullen is succeeding Holly Block who was the previous director for eleven years. Holly Block passed away in the fall of 2017.

During her tenure, Block was focused on expanding the museums local and international presence while highlighting the importance of diversity, inclusiveness, and

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<sup>139</sup> Pogrebin, Robin. "In the Bronx, Where Art Is Still Free." *New York Times*, March 6, 2013.

community. She increased the museum attendance and sponsored the United States representation at the 2013 Venice Biennale.<sup>140</sup>

In August of 2016, two governing executives and four trustees resigned from the Board over the museum's leadership, saying some new projects have betrayed its local mission.<sup>141</sup> Block's decision to spend \$2.5 million to create a replica of a sculpture of Jose Marti, the Cuban revolutionary leader was not taken lightly by the board suggesting it was not an appropriate usage of the museum's funds.<sup>142</sup>

This was followed by Block's questionable decision to help host a party in the Bronx held by local developers to promote an expensive condo project.<sup>143</sup> There was also an issue involving a museum initiative to exchange works of art with the National Museum of Fine Arts in Cuba. The Bronx Board of Trustees seemed to be split on their trust and acceptance of Block's initiatives and ideas to generate more museum revenue and diversity efforts.

### **5.3 Summary**

The Bronx Museum of the Arts has experienced severe change within the past couple of years due to opposing Board of Trustee and Director alignment, along with a passing of a director who served for eleven years. However, expression of misunderstanding, poor communication, and museum operations was discussed within the context of the museum's Board of Trustee's, which resulted in disgruntled members, lack of funds, and a misguided museum director.

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<sup>140</sup> Chow, Andrew R. "Bronx Museum of Art Hires New Director." *New York Times*, June 19, 2018.

<sup>141</sup> Pogrebin, Robin. "Resignations at the Bronx Museum Over a Costly International Push." *New York Times*, August 26, 2016.

<sup>142</sup> Ibid.

<sup>143</sup> Ibid.

The museum is making strides in becoming more diverse while serving the community of the Bronx, but fuzzy sets of boundaries between governing positions and acting directors have set the museum back. Under the new direction of Deborah Cullen hopes to continue forging collaborations and building connections. "I think that needs to happen both locally within the Bronx and on a more national or even international stage," states Cullen.<sup>144</sup>

The Bronx Museum of the Art is in a period of rebirth and can significantly benefit from a more inclusive and diverse board as a small organization can focus more on internal affairs as opposed to harder to control larger boards. The outlook is positive as the Bronx is notorious for remaining strong during times of change.<sup>145</sup>

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<sup>144</sup> Chow, Andrew R. "Bronx Museum of Art Hires New Director." *New York Times*, June 19, 2018.

<sup>145</sup> For more information regarding the Bronx Museum of Art's financials and Form 990 findings, please refer to Appendix 1.

## Chapter 6: Outlook and Conclusion

We know that a board of directors who incorporate diversity and inclusion into their landscape have drastic benefits and higher advantages compared to those who do not. However, the resistance to change has resulted in questionable methods, loss of trust and lack of empathy. “Diversity work does not simply generate knowledge about institutions...it generates knowledge of institutions in the process of attempting to transform them...”<sup>146</sup>

### 6.1 Outlook

Based on the data collected and findings published within the corporate sector of governance the many benefits of diversity and inclusion can transfer to the art museum sector. This data has attributed to institutional investors and asset management companies to push for increased boardroom diversity.

Companies such as BlackRock, who in February of 2018 published Proxy Voting Guidelines, a strategy that creates an emphasis on gender diversity in boardrooms by mandating companies to elect at least two women directors on their boards.<sup>147</sup>

Similarly, city and state governments have passed initiatives to incentivize boardroom diversity, such as The Boardroom Accountability Project 2.0.<sup>148</sup> Promoted by the New York City Comptroller, this initiative focuses on investors to disclose the race, gender, and skill sets of their board members. By increasing the transparency surrounding

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<sup>146</sup> *Facing Change: Insights from the American Alliance of Museums' Diversity, Equity, Accessibility, and Inclusion Working Group*. Report. Arlington, VA: American Alliance of Museums, 2018. 1-12.

<sup>147</sup> Teras, Brian A., and Lauren R. Light. Boardroom Diversity Push Gains Steam. Report. Arnall Golden Gregory LLP. 1-3.

<sup>148</sup> Ibid.

board guidelines and duties, this project attempts to combat the persistently pervasive lack of boardroom diversity<sup>149</sup>

In September of 2018, Governor Jerry Brown of California signed Senate Bill 826, requiring companies with main executive offices in the State to have at least one woman on their board by the end of 2019. The Bill commands a minimum of two female directors if the company has five directors on its board, or three women if it has seven directors by the close of 2021.

This bill highlights significant issues, such as one-quarter of the 445 publicly traded companies in California are all comprised of males, containing zero females on their boards. California is the first state in the nation to enact a law involving gender equality for publicly traded companies.

There is a sense that when art museums experience a crisis, discussion and implementation of diversity and inclusivity are then brought up. As stated in the study by Erhdhart, Werbel, and Shrader, this has been proven. Diversity in association with effectiveness and the oversight function of boards of directors. If a conflict emerges, the oversight function may be more active which allows for a broader range of opinions to be considered.

The risk associated with waiting till a crisis to evoke change also questions the role of a board of directors. Museums need to address the social and political changes happening within the community to be at the forefront of change and foresee crises. Until then, museums run the risk of not taking steps to make sure their community represents

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<sup>149</sup> Teras, Brian A., and Lauren R. Light. Boardroom Diversity Push Gains Steam. Report. Arnall Golden Gregory LLP. 1-3.

the boardroom so there can be a wide range of backgrounds and experience to serve these crises better.

In the art museum sector, organizations have taken steps to adopt more inclusive policies and practices. AAMD and AAM have established statements and policies pushing for greater inclusivity. AAMD's commitment to fostering diversity in the art museum field is shown through foundation and fund partnerships to assess ethnic and gender diversity of art museums across the United States.<sup>150</sup>

In September of 2018, the Berkshire Museum announced five new trustees who will be joining the leadership board of the 115-year-old institution. Joining the board will be five individuals whose diverse backgrounds will guide the museum is rolling out plans to remake the way it presents exhibitions, highlighting the mission of the museum; bringing people together for experiences that spark creativity and innovative thinking.

This new wave of inclusive individuals will bring diverse and valuable skills to the museum at a time of renewed energy, enthusiasm and optimism about what is possible for this inspiring institution, states board president Elizabeth McGraw.<sup>151</sup>

In September of 2018, Spelman College received a 5.4 million dollar grant from the Walton Family Foundation, whose mission remains centered around tackling tough social and environmental problems with urgency and a long-term approach to create access to opportunity for people and communities. Through this grant, the Walton Family Foundation is committing to closing the diversity gap to ensure that leadership at the

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<sup>150</sup> Association of Art Museum Directors. "United Negro College Fund and Association of Art Museum Directors Launch Second Phase of Pilot Program to Foster Diversity in the Next Generation of Museum Professionals." News release, November 17, 2015. Press Releases & Statements.

<sup>151</sup> Parnass, Larry, and Berkshire Eagle. "Berkshire Museum Recharges with Five New Trustees." *The Berkshire Eagle*, 24 Sept. 2018

nation's top cultural institutions begin to reflect the shifting demographics of the communities they serve.

With this new funding in support of an initiative to increase museum curatorship diversity, the Atlantic University Center Collective for the Study of Art History and Curatorial Studies will create a pipeline into art museum leadership.<sup>152</sup> Dr. Melanee Harvey, who is the assistant professor of art history at Howard University and Spelman alumna, discusses the importance of diversity in museum leadership and the decisions made around art will reflect the true diversity of perspective and cultures that make up American identity.<sup>153</sup>

In August of 2018, the Cleveland Museum of Art (CMA) announced their call to action to the first diversity, equity, and inclusion plan. This plan outlines a comprehensive and concrete series of initiatives that will advance the CMA's recently adopted strategic plan, *Making Art Matter*, as the museum activates and strengthens its commitment to all audiences.<sup>154</sup> This plan is set to reflect better the community in which CMA serves and position themselves to better connect with a large, more diverse local, national, and international community.<sup>155</sup>

## 6.2 Conclusion

Art museums across America are amongst some of the most sacred, historical, and awe-inspiring institutions that span generations. Approximately 850 million visitors grace the historical exhibition hallways and galleries each year to visit American museums,

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<sup>152</sup> Pennamon, Tiffany. "Spelman Receives \$5.4M for Art History and Curatorial Studies Initiative." *Diverse*, Diverse: Issues of Higher Education, 3 Oct. 2018

<sup>153</sup> Ibid

<sup>154</sup> Cmoore. "Cleveland Museum of Art Announces Diversity, Equity and Inclusion Plan." Cleveland Museum of Art. August 13, 2018.

<sup>155</sup> Cmoore. "Cleveland Museum of Art Announces Diversity, Equity and Inclusion Plan." Cleveland Museum of Art. August 13, 2018.



which is more than the attendance for all major league sporting events and theme parks combined.<sup>156</sup> They are considered the most trustworthy source of information in America, rated higher than local papers, nonprofit researchers, the U.S. government, or academic research.”<sup>157</sup>

However, the gap that currently exists within the boardrooms of these sacred institutions is hugely damaging. Not only do these limitations affect the art market, but also it affects the population and community in which the museum is located, limiting the knowledge of millions. 97% of the American public believe that museums are education assets for their communities and almost 90% of the public believe that museums contribute essential economic benefits to their community.<sup>158</sup> These institutions need to be held liable for their lack of inclusivity and diversity in the governing body.

Brooklyn Museum director Anna Pasternak believes that the traditional role of a museum as a temple of art and place a refuge is so beautiful, but that we can be more. "We need to contribute to the diverse cultural vitality of our communities. We need to engage in difficult conversations, not retreat from them."<sup>159</sup>

The purpose of this thesis is to explore the current landscape of diversity and inclusion within the nonprofit art museum's board of governance and to see if the community is reflected within the boardroom. This study revealed that American art institutions could sense the benefits of inclusivity, equity, and inclusion, but historical structures set in place create limiting boundaries.

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<sup>156</sup> "Museum Facts & Data." American Alliance of Museums. December 11, 2018.

<sup>157</sup> Ibid.

<sup>158</sup> Ibid.

<sup>159</sup> Goldstein, Andrew. "The Brooklyn Museum's Anne Pasternak on Why 'Protest Is Here to Stay,' and How Data (and David Bowie) Show the Way Forward." Artnet News. December 04, 2018.

While obtaining a sacred place in the trust of society, museums hold great power of artistic and human diversity. However, this current moment of rapid population growth and firsthand diversity in place, museums remind us that beauty and justice are both fragile and resilient.<sup>160</sup> “The struggle for equity in our field—and in our society at large—precedes the working group’s convening by many, many decades and will demand our vigilance in the decades to come.”<sup>161</sup>

This study also revealed the similarities corporate and nonprofit sectors have when strategizing on the methods of incorporating diversity into the boardroom. Although there lie differences in both sectors, it is evident that there is a correlation between the decisions being made in corporate governance that affect the funding in nonprofit art institutions.

In conclusion, art museum boards have a long road ahead for appropriately implementing diversity and inclusion in their boardroom to a level of standard equality. By taking the time, allocating funds, strategizing plans of action, and creating strict and conscience boardroom guidelines in place, museums can make positive change, construct accurate decisions to better the community, creating lasting global networks and relationships, and thoughtfully communicate to a broader, more diverse population.

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<sup>160</sup> *Facing Change: Insights from the American Alliance of Museums' Diversity, Equity, Accessibility, and Inclusion Working Group*. Report. Arlington, VA: American Alliance of Museums, 2018. 1-12.

<sup>161</sup> *Ibid.*

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## Appendix

### 1. Queens Museum Annual Report Findings

On the 501c3's most recent available Form 990, it listed total revenue of \$4.8 million with assets of \$42.6 million in 2016.<sup>162</sup> The year prior, the museum was operating with total revenue of \$6.5 million, which decreased by \$1.7 million between 2015 and 2016. With over a \$10 million drop in contributions and grants from 2014 to 2015, the Queens Museum completed their \$69 million expansion which could attribute to the drop in contribution.

The Queens Museum is supported through the New York Department of Cultural Affairs and is under the Cultural Institutions Group (CIG). In 2016, the museum earned \$127,829 in support from the DCLA due to their PlaNYC budget which supports energy sustainability and funds cost-effective energy activities.<sup>163</sup>

### 2. Brooklyn Museum Annual Report Findings

On the 501c3's most recent available Form 990, the Brooklyn Museum listed total revenue of \$4.1 million with assets of \$309.6 million in 2016. The year prior, the museum was operating with total revenue of \$31.9 million, which increased in 2016 by decreased by \$9.2 million. With assets that are almost 8 times as much as their total revenue, the Brooklyn's encyclopedic collection is strenuous through the numbers.

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<sup>162</sup> Conway, Marian. "Free to Speak, but Who Is Talking-The ED, The Board, or the Nonprofit Itself?" Non Profit News | Nonprofit Quarterly. February 02, 2018.

<sup>163</sup> Ali, Aliya, and Emre Edev. *Report of the Fiscal 2017 Executive Budget*. Report. Department of Cultural Affairs. Council of the City of New York. 1-11.

In 2016, the museum operated with total expenses of \$39.7 million, making for \$1.4 in revenue less expenses. From 2010 – 2016, the museum has operated with an average of \$39.6 total expenses.

Since Pasternak was hired in 2015, the museum has increased their contributions and grants from \$18.9 million to \$27.0. From 2014 to 2015, there was a steep decline in contributions and grants that equaled to \$20 million.

According to the 2016 Form 990, over 450,000, down from 2015 at 590,000 visitors, visitors explored the extraordinary resources of the Brooklyn Museum through permanent installations of the museum's world-class collection.<sup>164</sup>

Due to the large encyclopedic collection, the Brooklyn Museum is in charge of storing, exhibiting, and caring for the museum and operates with very high assets. From 2016 to 2010, the museum has operated with an average total amount of assets at \$297.9 million.

The Brooklyn Museum is also supported through the New York Department of Cultural Affairs and is under the Cultural Institutions Group (CIG). In 2016, the museum earned \$56,951 in support from the DCLA due to their PlaNYC budget which supports energy sustainability and funds cost-effective energy activities.<sup>165</sup>

The Brooklyn Museum of Art is among six of Brooklyn's most prestigious cultural institutions to be included in the nonprofit organization, Heart of Brooklyn. Heart of Brooklyn promotes central Brooklyn as a unique cultural destination to diverse

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<sup>164</sup> Government Agency. May 11, 2017. Form 990. Retrieved from GuideStar. Internal Revenue Service (2015). Form 990: Return of Organization Exempt from Income Tax: Brooklyn Museum

<sup>165</sup> Ali, Aliya, and Emre Edev. *Report of the Fiscal 2017 Executive Budget*. Report. Department of Cultural Affairs. Council of the City of New York. 1-11.

audiences in the borough and beyond.<sup>166</sup> Heart of Brooklyn distributes funding to these institutions, including supporting Target First Saturday's at the museum in making the programming more visible and accessible.

According to the Brooklyn Museums Form 990s, they have had an average of 32.6 board members from 2010 to 2016.

In 2016, the Brooklyn Museum was working with an operating budget of \$38.6 million.<sup>167</sup> Today, the museum has a lean staff of roughly 350 employees and an operating budget of \$38 million.<sup>168</sup> The endowment is just over \$100 million, generating roughly \$5 million in annual support - only 13 percent of the overall budget, meager by industry standards.<sup>169</sup> With attendance rising, and the endowment tripled under the previous direction of Arnold Lehman, the museum faces higher costs and rates, up 20% since 2013.<sup>170</sup>

### 3. Bronx Museum of the Arts Annual Report Findings

On the 501c3's most recent Form 990, it listed a total revenue of \$4.0 million with assets of \$4.2 million in 2017. One-year prior, the museum was operating with a \$4.4 million total revenue, \$3.5 expenses, and assets of \$4.6 million.

On average, the Bronx Museum has been operating with an average of total revenue at \$3.6 million. From 2010 to 2017, the museum has operated with an average expense of \$3.5 million. The Bronx Museum of Art also operates with no endowment.

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<sup>166</sup> Center, Foundation. "Heart of Brooklyn." *Philanthropy News Digest (PND)*. February 22, 2011.

<sup>167</sup> Pogrebin, Robin. "Brooklyn Museum Offers Staff Buyouts." *The New York Times*. December 21, 2017.

<sup>168</sup> Goldstein "Brooklyn Museum Director Anne Pasternak on How..." *Artnet News*. December 04, 2018.

<sup>169</sup> *Ibid*.

<sup>170</sup> *The Chronicle of Philanthropy*. "Job and Budget Cuts Loom at Brooklyn Museum." *The Chronicle of Philanthropy*. May 19, 2016.

The Bronx Museum of Art is one of 33 City-owned cultural institutions operating under the Cultural Institutions Group (CIG), along with one of the 1,200 nonprofit cultural institutions supported by the New York City Department of Cultural Affairs. The Department of Cultural Affairs' 2019 Executive Budget provides operating expenses of \$147.0 million, while the CIG offers supports for \$109.3 million, including \$42.5 million in energy subsidies.<sup>171</sup>

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<sup>171</sup> Hartzog, Melanie. The City of New York Executive Budget Fiscal Year 2019, Message of the Mayor. Report. New York, NY, 2018. 201